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## NEWS SUMMARY

### GENERAL

## China's new 10-year plan

Hua Guofeng, who has named Zhao Ziyang to succeed him as China's Premier, announced a new 10-year economic plan to 3,000 national assembly delegates in Peking. It modifies existing strategy.

He also called for a concerted birth control campaign, with couples limited to one child. Two-thirds of China's population of almost 1bn is under 30.

When Hua criticised Moscow for its Afghan occupation and for backing Vietnam in Kampuchea, Soviet and East block diplomats present walked out. Page 2

### Cash for Tories

The Labour Party says that gifts to the Conservatives and political allies increased by more than 60 per cent to £2.75m in 1979-80. Top contributors with £50,000 each were GEC, Consolidated Gold and Rank Organisation. Back Page

### Benn would stand

Opposition leader Mr. Callaghan will not give a decision on whether he will stand again as Labour Party leader until early November. Mr. Anthony Wedgwood Benn confirmed that he would stand if there is a leadership election. Back Page

### Motor diplomacy

UK motor industry team flew to Tokyo for talks with Japanese officials, hoping to persuade them to continue to limit exports to Britain. Trade Minister John Nott had last-minute talks with them. Back Page

### Irish haul

Irish Army experts were examining 1½ tons of explosives found inside the republic, four miles from Londonderry. Police were hunting three armed men who abducted a barmaid and held up police at a nearby checkpoint.

### Bani-Sadr's veto

President Bani-Sadr of Iran approved only 14 of Premier Rajai's 21 Cabinet nominations. The seven rejected included the editor of the Islamic Republican Party's newspaper, proposed as Foreign Minister, and some young revolutionaries. Page 2

### Spanish shuffle

Spanish Premier Adolfo Suarez, who has cancelled a trip to Ecuador on Wednesday, is due to announce major Cabinet switches today. A police captain was shot dead at a dance in the Basque village Erenchu. Page 2

### Mideast missions

Egypt's Foreign Minister has invited his Israeli counterpart this week for talks on improving relations. Syrian President Hafez Assad visits Tripoli today to see Libyan leader Colonel Gaddafy about the planned union between their countries. Page 2

### Spy charges

General Heinz Zorn, 68, former chief of staff of the East German air force, has been arrested in Lille and is to appear before a French security court on spying charges.

### Briefly . . .

Zurich police arrested 338 after night street battles with young people protesting against youth centre closure.

Witch doctors in Zimbabwe have been urged by the Health Minister to co-operate with the health service.

### BUSINESS

## £4,143bn 'must be spent on energy'

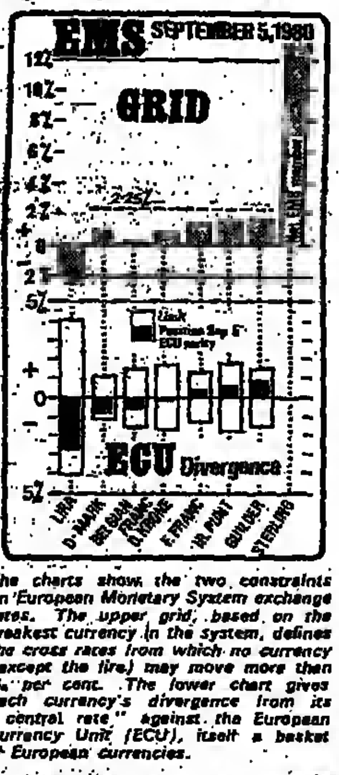
● THE WEST will have to spend about $10,000bn (£4,143bn on restructing energy supplies in the next 20 years, says West Germany's Dresdner Bank in a paper to be presented at the 11th world conference. Back Page

● GERMAN-BUILT pressurised water reactors perform better than any other light water reactor, says a London analyst. Page 4

● DUTCH GUILDER remained the European Monetary System's strongest member last week, followed by the Irish punt and French franc. Natural gas supplies and high interest rates compared with inflation continue to support the guilder. The franc has declined on a slight easing of Paris rates in recent months and France's balance of payments deficit.

The Danish krone showed little change around the middle of the system. The Belgian franc improved quite sharply on Friday, finishing the week above the D-mark.

The latter was the most depressed member of the system governed by normal divergence rules. The Italian lira, which has a wider range of movement, remained the weakest currency, despite a slight improvemant overall.




*The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

● SWEDISH Parliament passed by a one-vote majority a 1.9 per cent rise in value added tax. Page 2

● CODE OF PRACTICE regulating institutional fund managers' personal share dealings will start to be drafted on September 19. Back Page

● BRITISH AIRWAYS is cutting fares to Asia this autumn. Page 4

● KAISER STEEL, the ailing U.S. steelmaker, is to spend $20m (£8.2m) on plant modification. Liquidating the company would cost too much. Back Page

● MICROCHIP advice centre for industry is recommended in report for the Scottish Development Agency. Page 4

● BETWEEN 100,000 and 120,000 local government jobs are threatened in 1981-82, according to the Association of Metropolitan Authorities' chairman. Page 5.

● FIAT starts negotiations with Italian trade unions today on proposals effectively reducing its workforce by 24,000 for 18 months. Page 20

● RABO BANK Organisation of the Netherlands reports first half net earnings up 8 per cent at Fl 172m (£36.6m). Page 20

# Striking Poles want more Party leaders replaced

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S new Communist Party leader, Mr. Stanislaw Kania, was faced with continuing strikes in several cities at the weekend. Striking workers added to their demands a call for replacement of Party bosses at local level following the fall of the ailing Mr. Edward Gierek.

Continuation of strikes in many parts of Poland show that appointment of a new Party leader had not been sufficient on its own to end the industrial unrest which unseated Mr. Gierek.

Mr. Kania's appointment on Saturday immediately won the approval of the Soviet leadership, and Mr. Brezhnev sent him a letter of congratulation.

Strikers in most of the plants in Bialystok, an industrial city of 200,000 people near Poland's border with the Soviet Union, demanded changes of local leaders and pledges that the authorities stand by concessions granted to workers in Gdansk last week.

At Tarnobrzeg in the south two sulphur mines were on strike. So was the Siarkotol sulphur-processing plant.

Workers there also demand resignations from local authorities. Poland is a major exporter of sulphur and sales last year reached 3.9m tonnes.

Strikes have affected the north-eastern towns of Suwalki, Elk, and Augustow, all close to the Soviet border.

Other isolated strikes were reported in Lodz, Kalisz, Siedlce and Tarnow. Reports reached Warsaw of the first strike by farm workers, on a State farm in Lubaczow, in the south-east. They demand an independent farm workers' union.

Eighty per cent of the land in Poland is in private hands. Over 400,000 farm workers are employed on State farms.

According to a speech by Mr. Kania at the central committee meeting which ousted Mr. Gierek, the Party leadership is considering a decision to call a special Party congress in the coming months.

The congress would presumably outline a programme of reforms and policies to extricate the country from its political and economic crisis.

Mr. Kania said that he never thought that "the Party would face such complex and dramatic problems as it faces today."

He admitted that it was "serious mistakes in economic policies and deformations in public life which were the basic source of the huge strike wave which has rolled across Poland since July."

Mr. Kania appealed for a return to normal working. "Today we can, and even must, change a lot. On the one point we should be unanimous—Poland needs peace and work."

The authorities would keep to the agreement they had signed with striking workers. He intimated that he would work with the new independent trade unions.

In Warsaw, Mr. Lech Walesa, the Gdansk strike leader, took part in a private mass on Sunday morning at the home of the Polish Primate, Cardinal Stefan Wyszynski. The meeting can be seen as a strong gesture of Church support for the new unions.

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● Moscow waits to see if Kania can control the drive for democracy, Page 2.

● Warsaw Pact manoeuvres underway, Page 2.

● Schmidt scorns Soviet "restraint," Page 2.

● A profile of the new leader; a security boss takes over, Page 13.

● The party struggles for credibility, Page 13.

● Getting Poland back to work, Page 12.

## MUSKIE DEFENDS ECONOMIC RELATIONSHIP

THE U.S. should "not put in jeopardy" its economic relationship with Poland, in spite of the new change of Government in Warsaw, Mr. Edmund Muskie said yesterday, David Buchan writes from Washington.

The U.S. Secretary of State, in a television interview, said Mr. Stanislaw Kania was a conservative to the Soviet Union's taste but probably pragmatic enough to carry out pledges made to Polish workers by Mr. Edward Gierek, the ousted party chief.

He rejected suggestions that the U.S. hold up action on Poland's request for $120m increase in credit to buy U.S. grain and farm products until the commitment on independent Polish trade unions materialised. But Mr. Muskie said Washington had not yet decided to grant the credit increase.

The range in the Congressional report's forecast of Polish debt levels by 1985 is due to different assumptions about commercial interest rates in the West. The congressional experts said if the Poles were to pay an average 10 per cent on their borrowings, their debt would be $30.4bn by the end of 1983 and $35.2bn by the end of 1985.

Assuming an average 12 per cent interest rate, Poland's debt would total $32.6bn by 1983 and $39.4bn by 1985. Poland, which is a big customer for U.S. agricultural products, has the heaviest load of hard currency debt in Eastern Europe.

His remarks coincided with a new Congressional report that Poland's debt to major industrialised countries, now about $20bn, could rise to $35bn-$40bn by 1985. Polish indebtedness is a clear constraint on Western willingness to lend the country more hard currency.

The report by Congress's joint economic committee is based on the assumption that Poland's hard currency trade with the West continues to grow in the next five years as it did on average in 1975-1979.

A U.S. Government expert is cited in the report as claiming Poland will find it hard to meet its goal of an annual 18 per cent growth in exports to the West while keeping imports from the West down to a 2 per cent annual rise.

# Money supply rise expected

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE gilt-edged market is resigned to tomorrow's announcement of another poor set of money supply figures, following the 5 per cent jump in July.

City analysts are being cautious in their projections after their substantial underestimation of the July outcome.

The general expectation is that the rise in sterling M3, the broadly defined money supply including cash and bank deposits, may have been about 3 per cent in the month to mid-August.

This would push the annual rate of growth this year even further above the 7-11 per cent target rate of increase.

There were increasing signs last week in both the strength of gilt prices and in the comments of stockbrokers that poor figures have already been discounted, unless they are unexpectedly bad.

This represents a change in mood from the disillusionment and the sharp falls in gilt prices which followed the July figures.

There now appears to be a general view in the City that the Government will attempt to downgrade these figures as largely reflecting past distortions.

The recent big jump in Sterling M3 may be ignored when an announcement is made in late October or early November about the monetary target for the next 12 months.

Consequently, many analysts believe the evidence of the deepening recession and tightening financial squeeze on British industry will lead to a cut in Minimum Lending Rate within the next couple of months.

Several brokers have said that, even allowing for all recent disruptions, the underlying rate of monetary growth has still been above the target range.

The August money figures were affected by the continued impact of switching back of bank operations within the measured money supply after the end of the corset controls in mid-June. These controls had limited the growth of a large part of the banks' deposits and had encouraged switching of bank activities outside sterling M3.

Other economic statistics due to be published during the coming week are expected to show that the recent sharp drop in the 12-month rate of price inflation has come to a halt.

The monthly figures are expected to show the same low rate of increase as earlier in the summer. But, the 12-month rate of retail price inflation in August is expected to be either fractionally above or below the 16.9 per cent rate of mid-July. This rate is expected to continue for most of the rest of this year and the next substantial drop in the 12-month rate is unlikely to be until the first few months of 1981.

Similarly, little significant change is expected to be shown in the recent trend of small monthly rises in the wholesale price indices. These figures are due out this afternoon with the retail prices index expected on Friday.

## Economic censure grows

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE British Government's economic strategy is facing growing criticism from leading City and academic economists.

Several reports published in the past few days have questioned whether Government policies will succeed in reducing monetary growth and the inflation rate.

Secondly, they have questioned, whether a continued squeeze may involve "unacceptable damage to the economy."

Critics are divided between those who are sceptical about monetarism and those who are sympathetic to Government policies but who have become highly critical of their implementation after recent money and borrowing figures.

Mr. Robin Matthews, the Master of Clare College, Cambridge, and Professor Brian Reddaway, also of Cambridge, argue today that the economic record of the present Government is dismal.

In the latest Midland Bank review, the authors, among Britain's leading mainstream economists, discuss the prospects for the Government strategy. They say that if wage settlements do not come down sufficiently in the next 12 months a year's wage freeze from July 1981 may be essential.

"There remains the substantial possibility of failure, either in the sense that the policies will prove impossible to adhere to long enough for them to yield fruit or that the fruits will be very disappointing even though the policies are maintained until 1984."

From the City, stockbrokers Simon and Coates say: "The Government has introduced into the necessary long-term redirection of the economy an obsession with short-term targets based on figures which are difficult to calculate, difficult to interpret and extremely

Continued on Back Page

# Haves and have-nots fall out at nuclear weapon talks

BY DAVID TONGE

A GENEVA conference on stopping the spread of nuclear weapons ended in disarray yesterday, with Britain, the Soviet Union and the U.S. on the defensive.

They were accused by other countries reviewing the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT) of violating their treaty obligations to reduce their nuclear arsenals.

As a result the four-week-old conference broke up without agreeing any "certificate of good health" for the treaty and without formally endorsing a new package of proposals to stop the spread of nuclear weapons. The non-weapon states refused to accept this package unless Britain, the Soviet Union and the U.S. agreed to their demands on disarmament.

On Saturday, Mr. Ismat Kittani, the Iraqi ambassador who had chaired the meeting, warned that a failure of talks would do "considerable damage" to world peace. But despite extra sessions the delegates failed to reach final agreement.

A Mexican suggestion that the review conference should adjourn for 12 months as a "pause for reflection" was rejected; the next review of the NPT is now due in five years.

Third World countries had called for an immediate stop to all nuclear tests. They wanted a comprehensive test ban to be negotiated within the United Nations committee on disarmament instead of excluding the Third World by having it handled exclusively by Britain, the Soviet Union and the U.S.

They wanted the two superpowers to agree in the final document of the conference to honour the second Strategic Arms Limitation Treaty, even though the U.S. Congress has not ratified it. And they wanted the conference to call for the end of nuclear co-operation with Israel and South Africa.

So far 114 countries have agreed to the treaty. Notable absentees are France and China, as well as some other countries reported to be working on nuclear devices, such as India, Israel, Pakistan and South Africa.

The treaty is a deal between those with and those without nuclear technology. The "haves" undertake to stop their arms race and to supply nuclear fuel and equipment to the "have-nots," and the latter agree to use what they receive only for peaceful purposes.

Suppliers of fuel and technology, in particular Canada and the U.S., have long been criticised for changing the criteria under which they sell material and for insisting on safeguards tougher than those required by the International Atomic Energy Agency.

These criticisms were voiced strongly by countries such as Mexico, but nonetheless progress was made towards accords on international plutonium storage, incentives for non-nuclear countries to join the treaty, and measures to protect fissionable material during transport.

Despite the unsatisfactory ending of the conference this packed of proposals will now be taken up in the calmer atmosphere expected in the Committee on Assurances of Supply, to meet shortly under the auspices of the IAEA in Vienna.

British and American delegates stressed that though the conference had failed to produce a final document, there had been broad endorsement of the NPT. "There is no substitute for the treaty," said Mr. Ralph Earle, the U.S. delegate.

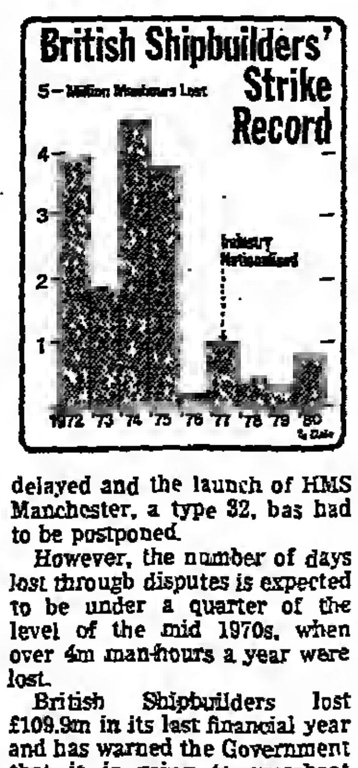
● The Soviet Union and the U.S. are to start talks to limit medium-range nuclear weapons in Europe. U.S. officials said Senator Edmund Muskie, the U.S. Secretary of State, would meet his Soviet counterpart, Mr. Andrei Gromyko at the United Nations on September 25 and that this meeting would open the way to negotiations, possibly in Geneva in October.

## Disputes hit British Shipbuilders

BY WILLIAM HALL, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS has lost more man hours through disputes this year than in the whole of 1978 and 1979 and the indications are that the current year will be the worst for strikes since the industry was nationalised in 1977.

Against this background of mounting industrial unrest the corporation is reshuffling its senior labour relations team and Mr. Ken Griffin, the deputy chairman, has resumed overall responsibility for industrial relations.




In the first eight months of 1980 British Shipbuilders lost an estimated 725,000 man hours through disputes. This compares with 270,000 hours lost in the whole of last year and 400,000 in 1978. Close to 90 per cent of the man hours lost have resulted from stoppages in the three specialist warship yards of Yarrow, on Clydeside, Vosper Thorneycroft on the Solent and Vickers at Barrow.

In March there was a two-week strike by 4,000 men at Yarrow, and in June 1,700 workers at Vosper Thorneycroft stopped work. This was followed by the present unofficial strike by 1300 boilermakers at Vickers, now entering its seventh week.

The latter is Vickers' first major dispute for five years, and over 250,000 man-hours have been lost so far. Work on two nuclear submarines has been delayed and the launch of HMS Manchester, a type 32, has had to be postponed.

However, the number of days lost through disputes is expected to be under a quarter of the level of the mid 1970s, when over 4m man-hours a year were lost.

British Shipbuilders lost £109.9m in its last financial year and has warned the Government that it is going to overshoot its external financial limit of £120m in the current year by over £60m. The disputes at the naval shipyards, the only profitable part of British Shipbuilders, is putting further financial pressure on the corporation.

As a result of a senior management reshuffle, Mr. Ken Griffin, the deputy chairman, an ex trade union official, has taken over direct responsibility for labour relations and Mr. Richard Whalley, the board member for personnel and industrial relations, has been assigned to "special duties" until his contract expires next March.

In addition, British Shipbuilders is urgently seeking a new managing director for industrial relations to replace the widely respected Mr. Ian Farningham, who had to retire earlier this year through ill health.

British Shipbuilders strongly denies that the mounting industrial unrest in its warship yards is in any way associated with the apparent vacuum at the top of the industrial relations team.

The reshuffle of the industrial relations team is the latest in a series of changes at the top of British Shipbuilders. Mr. Robert Atkinson, who took over as chairman from Admiral Sir Anthony Griffin, at the end of June, has combined the job temporarily with that of chief executive following the departure of Mr. Michael Casey.

Apart from looking for a new chief executive, Mr. Atkinson is also searching for a new finance director following Mr. Maurice Elderfield's decision to leave on the expiry of his contract later this year.

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AFTER THE CHANGE IN POLAND'S LEADERSHIP

# Schmidt scorns notions of Soviet 'restraint' on Poland

BY JONATHAN CARR IN BONN

THE WEST GERMAN Chancellor, Herr Helmut Schmidt, has delivered an unusually sharp attack on the notion that the Soviet Union has shown restraint over events in Poland.

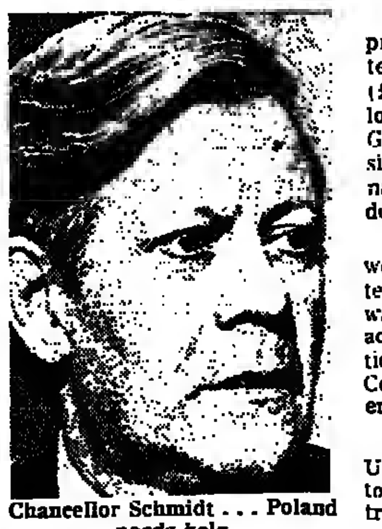
In response to a question from a radio interviewer yesterday, Herr Schmidt stressed that "it is not restraint when one state does not interfere in the internal affairs of another—that is the norm."

Nor was it restraint, Herr Schmidt said, when Soviet media indulged in commentaries marked by "powerful aggression" against the West in particular.

The Chancellor said that through its military intervention in Afghanistan the Soviet Union had earned worldwide criticism and was threatened with international isolation.

It would have been very hard for Moscow to handle yet more criticism over a similar action elsewhere while fighting in Afghanistan continued, the Chancellor said. He added, however, that Bonn had no evidence that Moscow had been planning such fresh intervention.

Herr Schmidt did not comment on the latest leadership changes in Warsaw—although he is known to have been on



Chancellor Schmidt . . . Poland needs help

particularly good personal terms with the outgoing Polish Communist Party chief, Mr. Edward Gierek, and the two were to have met in Hamburg recently.

But he did stress that the Polish economy needed help from outside and that the West had an interest in seeing Poland do well. The better it did so, the less danger there was of domestic Polish problems spilling over to affect foreign political relations.

Bonn has already agreed to provide a state backed guarantee for one third of a DM 1.2bn (£281.4m) commercial bank loan to the Poles and the Government is prepared to consider with other Western nations what more might be done.

But in an interview this weekend, the Economics Minister, Count Otto Lambsdorff, warned against any Western action, however well intentioned, which could support Communist charges of interference in Poland's internal affairs.

Count Lambsdorff said the U.S. Government had been right to recommend to the American trade union movement not to send finance to Poland. There had also been signs of similar initiatives in West Germany.

"I can only strongly warn against this course," the Minister said. "This is exactly the kind of action which (communist) critics of the solution now found in Poland could use as an excuse for saying that attempts were being made to restore capitalism there with Western money. In this irresponsible way we could harm, if not destroy, tha real interest of the Polish workers."

# Pact troops start manoeuvres

By Leslie Colitt in Warsaw

The largest military manoeuvres by the Warsaw Pact armies in 10 years opened today in Poland's neighbour, East Germany, with 40,000 troops from six countries taking part.

Romania has sent only staff officers in line with its policy that Warsaw Pack members should not send their troops into each other's countries.

The military exercises near the Polish border will include naval landing exercises on the Baltic coast by the Soviet, Polish and East German navies.

The manoeuvres, codenamed Brotherhood 80, were planned well in advance of the current unrest in Poland.

It is felt unlikely that Warsaw Pact armies would be used against Poland. However, it is recalled that Poland and the other Warsaw Pact countries except Romania was obliged to send army units into Czechoslovakia in August 1968, together with the Soviet army.

The Soviet Union and its allies are not expected to intervene militarily in Poland unless Moscow is convinced the Polish Communist Party bas totally lost its grip on tbe country. This is currently not the situation.

# Russia expects Kania to conform

BY DAVID SATTER IN MOSCOW

THE REPLACEMENT of Mr. Edward Gierek as head of the Polish Communist Party by Mr. Stanislaw Kania will make little difference to the Soviet authorities as long as Mr. Kania can stem the tide of democratisation and keep the situation in Poland under control.

The identity of the Polish Communist leader is of far less importance to the Soviet authorities than his ability to rule in conformity with the Soviet Union's needs.

The changes of leadership in Poland in 1956 and 1970 both occurred without any interference by the Soviet Union and the fact that the Soviet news agency, Tass, waited seven hours to report Mr. Kania's accession indicates that the Russians were taken by surprise this time as well.

Although the Soviet authorities were deeply disturbed by events in Poland there is no reason to believe that they imagined the problem in Poland could be solved simply by removing Mr. Gierek. The hard currency loan to Poland from the Soviet Union was agreed while Mr. Gierek was still in power and the Russians probably counted on him as a symbol of continuity in the extremely unpredictable situation which lies ahead.

The Soviet attitude toward eastern European leaders is both impersonal and eminently practical. The Soviet authorities leave them free to make economic and political decisions but count on them to support unquestioningly Soviet foreign policy, to participate in joint economic projects, to participate on the Warsaw pact and to guarantee the continued supremacy of the local Communist Party.

In this sense, the congratulatory telegram sent at the weekend to Mr. Kania by Mr. Leonid Brezhnev, the Soviet party leader, could with equal ease have been sent to any member of the Polish Politburo who had been elevated to top leadership.

The reference to Mr. Kania in the telegram as a firm supporter of "proletarian internationalism," a code phrase for Soviet control, and "the unbreakable friendship between Poland and the Soviet Union" was a reflection, not so much of what Mr. Kania is, but what the Soviets expect Mr. Kania, and any Polish leader, to be.

The Soviet authorities appreciate, perhaps better than anyone else, the dangers of allowing the Communist Party's monopoly on power to be compromised in a Socialist state.

The party's attempt to dominate every form of organisational life in a society, means that an automatic vacuum is created in any area where there is an abandonment or relaxation of party control.

There has never been a social vacuum in any Socialist state to compare with what was introduced by Polish Government

President Brezhnev . . . good wishes

agreement to the formation of independent trade unions and the Soviet authorities will be watching carefully to see whether Mr. Kania can, in an unprecedented situation, maintain the principal elements of party control.

The Soviet authorities do not want to intervene militarily in Poland because of the heavy political cost of an invasion, but the opening created in the Polish system by the appearance of independent trade unions would be insignificant compared with the opening created in the Socialist bloc by the overthrow of Communist rule in Poland.

Mr. Kania's task from the Soviet point of view is to prevent democratisation from reaching the point where Communist rule in Poland is threatened. If he does not succeed, a Soviet invasion of Poland is inevitable. The triumph of democracy in Poland would be intolerable because it would refut one of the principal supports of Soviet rule in Russia, the firm belief that Communist rule is unchallengeable.

The Poles may yet learn the full meaning of the Russian proverb which has become a watchword of Soviet life: "If you can't learn, we'll teach you. If you won't learn we'll force you."

In a possible indication that the Soviets will be launching a propaganda campaign of their own against the independent Polish unions, Tass issued a report over the weekend from the Austrian newspaper, Der Kurier. It accused Mr. Lech Walesa, the Gdansk strike leader, of organising the "free trade unions of the Baltic coast" for two years in advance.

Tass quoted the Austrian report as saying that assertions by strike leaders that the strikes were spontaneous were "no more than a blind" which "ordinary Poles did not believe."

# China to abandon 10-year plan

BY TONY WALKER IN PEKING

CHAIRMAN Hua Guofeng, China's outgoing Prime Minister, yesterlay nominated as his successor, Zhao Ziyang, the 62-year-olid former party hoss from Sichuan province.

Mr. Hua told more than 3,000 deputies at the National People's Congress in Peking that Mr. Zhao was a "suitable choice and worthy of trust.

The outgoing Prime Minister has beld the job since Chou En-lai's death in 1976. Mr. Hua will remain chairman of the Chinese Communist Party, nominally the most powerful position in China.

Mr. Zhao has heen Prime Minister in all hut name since be was made executive Vice Premier in charge of day-to-day affairs of state earlier this year.

Mr. Hua also announced that five veteran officials, including Deng Xiaoping and Li Xiannian, were giving up their vice premierships.

One small surprise is that Wang Renzhong, the party propaganda chief is also giving up his vice premiership.

Chairman Hua explained that he was giving up the Prime Ministership in line with policy agreed in February at a meeting of the Comunist Party's central

Chairman Hua, right, announces his departure from the premiership.

committee to prevent an over-concentration of power.

Other points made by Mr. Hua in a long speech which occupied most of the afternoon's proceedings were:

- China is drafting a 10-year economic plan to run from 1981-1990 and this will incorporate a five-year plan beginning next year.
- Efforts to control population will be redoubled in what is described as a "crash drive" over the next 30 or 40 years.
- China remains determined to unify the motherland by retrieving Taiwan and is convinced that the bistorical trend towards T erunification ls lrresistible.
- Bolder steps will have to be taken to carry on structural reform of economic management and make it a success.
- China will continue to oppose hegemonism (the Chinese tearm for Soviet expansion.

When Mr. Hua attacked Soviet policy towards Afghanistan and Vietnam, Soviet hloc diplomats walked out, with the exeption of Romania.

Mr. Hua backed proposals for far-reaching reforms of China's system of economic management, saying that reforms adopted so far were "only a small first step."

He said a 10-year programme formulated in 1976 to carry Cbina through to the mid-1980s had been abandoned. Some of the targets were too high, the scale of capital construction and comprehensive halance was lacking for many programmes.

To revise this outline of the 10-year plan after more than four years would be meaningless, Mr. Hua said. Now that a correct line on principles aod policies had been found, the mapping out of a long-term programme or draft outline to achieve modernisation had hecome the order of the day.

Mr. Zhao ranks seventh ln the Communist hierarchy hehind Chairmao Hua, Marshal Ye Jianying, Deng Xiaoping, Li Xiannian, Chen Yun and Hu Yoahang. The new Prime Minister earned a reputation ln Sichuan as an ecooomic reformer

# Swedish VAT rise passed by one vote

By William Dullforce in Stockholm

THE SWEDISH Riksdag (Parliament) passed by a one-vote majority on Saturday the 1.9 per cent rise in valne added tax demanded by the non-socialist coalition Government of Prime Minister Thorhjörn Fälldin as an emergency measure to cut domestic consumption.

The vote came after a 14-hour debate at the end of the extraordinary session on the economy, for which the Soclal Democrat and Communist opposltion had insisted MPs be recalled from their holidays.

By a simllar majority of one, the Riksdag approved Increases in fuel-and-chocolate prices and rejected the opposition's counter proposal for the lntroduction of temporary import deposits.

Although the non-socialist ranks held, the extraordinary Riksdag session has sharpened the political sltuation in Sweden. Both opposltion and union leaders are calling on the Goverooment to go and to open the way for a new election, a suggestion which Mr. Fälldin firmly rejected during the debate.

Union leaders have declined the Prime Minlster's invitation to meet the Government and the employers tomorrow to discuss next year's national wage talks, although they left open the posaibility that they would accept at a later date.

The coalition Government has been forced belatedly to act hy the accelerating current account deficit, which according to Mr. Fälldin can reacb SKr 21hn (£2.1hn) or over 4 per cent of GNP this year.

Tbe Government will next submit a programme to cut SKr 7bn in budget spending.

The VAT increase means that at shop-level consumers will pay 23.46 per cent VAT on a wide range of consumer goods.

Renter reports from Helsinki: The four-party coalition Finnish Goverament has agreed on a national budget for 1981 containing total expenditure of about FM 56bn (£6.46bn), Finance Minister Ahti Pekkala said. Income tax scalea will be lowered to offset a predicted inflation rate of about 11 per cent.

# Anderson campaign boosted

By Our Washington Correspondent

MR. JOHN ANDERSON, the third man in the U.S. Presidential race, has won a major lift for his flagging independent candicacy by getting the endorsement of New York State's Liheral Party, and thus denying President Carter important hacking in the couotry's secood largest state.

The weekend endorsement came a day after the Federal Election Commission ruled that the financially strapped "independent" campaign could get a post-election federal subsidy if Mr. Aoderson wins more than 5 per ceot of the vote in November.

Buoyed hy these developments, Mr. Anderson yesterday forecast his political fortunes would soon rise "very significantly," in the opinion polls. He needs to achieve this to take part in the forthcoming televised elecion dehates with President Carter and Mr. Ronald Reagan, the Repuhlican candidate.

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# Progress over Iran Cabinet as Bani-Sadr accepts 14 ministers

BY OUR FOREIGN STAFF

IN THE first break in the deadlock over Iran's future-Government, President Abol Hassan Bani Sadr yesterday approved 14 cabinet ministers but left out a third of the candidates proposed, including all the important economic appointments, because of doubts about their ability.

Mr. Baoi Sadr's truncated vorsion of the cabinet proposed hy Mr. Mohammed Ali Rajai, the Prime Minlster, was presented in a letter to the Iranian Parliament yesterday. But the President and Mr. Rajai dld agree on two posts not included in the original list with Col. Javad Fakouri put forward as Defence Minister and Mr. Mahmoud Ahmadzadeh as minister without portfolio and head of the national steel company.

Mr. Bani Sadr refused to give his endorsement to the candidates for the ministries of economics and finance, commerce, labour, oil, and for head of the Plan and Budget Organisation. The President objected on the grounds of youth and inexperience. He also rejected the candidate for Foreign Minister, Mr. Hussein Moussavi, the editor of the newspaper of the Islamic Repuhlican Party.

In this, he had the support of Iran's spiritual leader, Ayatollah Ruhollah Khomeini, who said last week that the Presldent need only approve those mlnisters whom he found acceptable.

AP adds from Washington: The last U.S. Ambassador to Iran has accused the Administration of Mr. Jimmy Carter of contributing to chaos in Iran through shortsightedness and indecision in the last days before the collapse of the monarchy.

Mr. William Sullivan, writing in Foreign Policy magazine, said the Administration acted "directly contrary to American interests" in trying to head off the revolution when it was clear that the forces of Ayatollah Khomeini would triumph.

Mr. Sullivan was particularly critical of Mr. Zbigniew Brzezlnski, the head of the National Security Council. Just before the revolution, Mr. Sullivan said Mr. Brzezinski telephoned him, asking if he could arrange a military coup.

"I regret that the reply I made is unprintable," Mr. Sullivan wrote.

# Begin 'may soften' over talks

BY DAVID BUCHAN IN WASHINGTON

PRIME MINISTER Menahem Begin has given the U.S. the "impression" that he will shortly move to sweeten the atmosphere for resumed negotiations over Palestinian autonomy with Egypt, Mr. Edmund Muskie aaid yesterday.

But, echoeing Mr. Sol Linowitz, the Americao Middle East mediator, the U.S. Secretary of State said Mr. Begin had made no specific commitment to delay moving his office to Jerusalem or to free some Palestinian political prisoners—concessions that would mollify the Egyptian leader.

Mr. Muskie claimed, however, that hotb President Sadat and Mr. Begin bad very importantly renewed their commitment to huild oo their hilateral treaty with a Palestinian autonomy agreement, and he disputed this was mainly hecause of their joint desire to help President Carter get re-elected.

Mr. Linowitz earlier disclosed tbe Carter administration is to take a more central role in the autonomy negotiations by offering its own draft for discussion by Israel and Egypt. He gave no details and described the U.S. proposals as "an interim step" to get tha negotiations resumed, possihly in mid-October.

Back from a trip to the Middle East last week, Mr. Linowitz suggested that Egypt and Israel had agreed to set aside the issue of tha status of Jerusalem — on which they sharply—differ—and proceed with other issues of self-government for West Bank Arabs.

David Lennon in Tel Aviv adds: ISRAEL'S Foreign Minister has heen invited to meet Egypt's Minister for Foreign Affairs to discuss broadening the normaliaation of relations between the two countries. The invitation follows sharp criticism hy Mr. Yitzhak Shamir, the Minister, of what he saw as deliberate Egyptian Government interference in the development of commercial and other links.

The Israeli Foreign Minister has told the Egyptians on a number of occasiona that tho lack of growth in bilateral relations has made Israel suspicious about Egypt's commitment to full peace between the two countries.

The invitation was sent to Jerusalem by Dr. Butros Ghali, the Egyptian Minister of State for Foreign Affairs.

**DAMASCUS**—President Hafez Assad of Syria will fly to Libya today to finalise a merger plan between the two countries, the official Syrian news agency SANA reported yesterday. He and the Libyan leader, Col. Moammar Gaddafy, will bold talks aimed at "establishing union between the two countries." Col Gaddafy called for a merger in a speech marking the eleventh anniversary of the coup that brought him to power. He praised Syria as the last bastion against Israel.

IMF ANNUAL REPORT

# Shafts of light in a grim scene

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

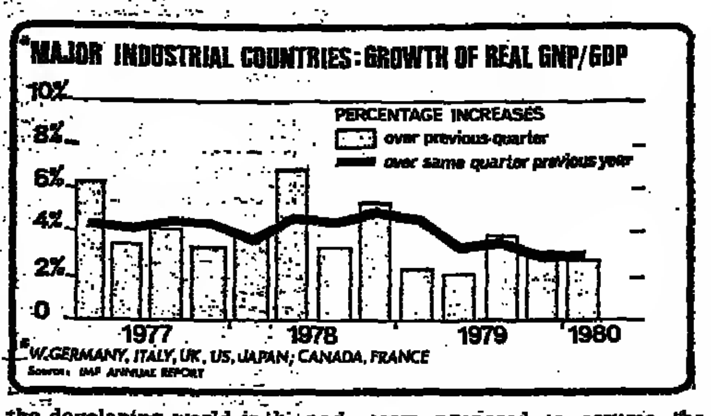
THE INTERNATIONAL Monetary Fund, in its annual report published today, has found shafts of light in what it otherwise concedes is a "grim" and "disturbing" world economic outlook.

Specifically, it points to a "less troublesome" distribution of national current account deficits than was the case after the 1973-74 *oil-price increases* and, consequently, less intense competition for balance of payments financing.

The fund also takes heart from the inflation rates in most industrialised countries. While these are still far too high, they have generally *not so far* been exacerbated by the secondary effects of higher import prices. Gross national product deflators, it notes, have risen less than such narrower measurements of inflation as consumer price indices and domestic expenditure deflators.

The annual report consists essentially of a review of the last year. It does not attempt more than passing economic forecasting and its analysis differs little *from* the IMF's own World Economic Outlook published early in the summer or from *similar documents* produced by the Organisation for Economic Co-operation and Development (OECD).

As such, its overall review reflects the prevailing *pessimism.* The economies of the industrialised countries will probably only expand *in real* terms by about 1 per cent from 1979 to 1980, with little, if any, improvement in 1981. This compares with an average of nearly 4 per cent in the preceding three years. The prognosis for




the developing world is, by and large, worse.

As a result, the outlook for growth in world trade is "poor." This year, trade volume is expected to expand by only half the 6½ per cent achieved in 1979, while the 12 months from *now may see no growth at all.*

Yet the annual report doubts that the bottom will fall out of the world market. The industrialised economies are not now synchronised as they were in 1974. An American recovery, uncertain though it still may be, could cushion the impact on trade of a general European recession that has yet to be felt.

Inventories, the report says, have not been built up to the level they were seven years ago and a major liquidation of stocks, which would impair all sectors of national economies, is not in the offing.

Similarly, the IMF takes comfort in that the collective *deficit of the industralised* countries has soared from a surplus of $33bn in 1978 to a deficit of $10bn in 1979 and perhaps as much as $50bn this year. Certain key countries, especially Japan and West Germany, now seem prepared to assume the burden rather than pass it on.

The combined deficit of the non-oil developing countries is even larger and could reach $70bn this year after shortfalls of $53bn and $36bn in 1979 and 1978.

Even allowing that not all developing countries are *equally affected by* the *financial* consequences of the latest oil-price increases, the report observes that covering these deficits — while pursuing economic adjustment policies — "is one of the major issues confronting the fund, as well as the countries themselves."

International liquidity, including the IMF's own lendable resources *seems sufficient* for the immediate task, though it could be strained in the years ahead. In 1979, international liquidity rose by 11 per cent and grew by a further 6 per cent in the first five months of this year.

But it was unevenly distributed, with four-fifths of last year's increase being accounted for by the creation of European Currency Units (ECUS). Real expansion of IMF-related assets was small.

The report states *that the* fund is more than capable of meeting demands on it, but its loan commitments are growing rapidly. In its financial year that ended on May 30, IMF assistance amounted to a record 9.7bn Special Drawing Rights *(about $13bn) in agreements* involving 28 countries. The number of countries has now risen to 36.

The IMF still has about $20bn of "useable" funds in its kitty, to be augmented by a like amount when the seventh quota is *ratified,* the *U.S.* Congress willing, by the end of this year.

But there is what an official described as "an *increase* in perception" that the OPEC surpluses (estimated at $115bn this year) and the counterpart deficits will endure and that longer-term financing problems remain.

Typically, the report eschews more *than the most guarded* recommendations for national policies. It suggests that the lesson of the *1970s* is that fine tuning economies does not work well; that incomes policies may still have a role, if this is carefully defined; that investment and savings should be encouraged through fiscal measures, and that the disincentives to investment brought on by excessive government regulation be assessed.

But the thrust of the IMF's message is predictable. Reducing inflation, through consistent and, the report suggests not for the first time, "courageous" policies, must be "the first priority."

# Suarez seeks backing of minority parties

BY TOM BURNS IN MADRID

SPAIN'S Prime Minister, Sr. Adolfo Suarez, is due to announce a Cabinet reshuffle today, aimed at assuring his Democratic Centre Government of the backing of an overall majority in Parliament.

Sr. Fernando Abril Martorell, Deputy Prime Minister and economic overlord, has resigned to make way for the return to the Government of several senior party men who were closely associated with Sr. Suarez at the start of his four-year old transition process.

Sr. Suarez has cancelled a planned trip to Ecuador this week in order to prepare his new Government. The Prime Minister is expected to annonce details of the reshuffle today after a meeting with King Juan Carlos.

The Prime Minister and his incoming team have also prepared a new policy document which is due to be debated in Parliament on September 16. Sr. Suarez is expected to ask for a vote of confidence.

The new Cabinet and policy document are intended to appeal to minority parties and to forestall a repetition of a censure motion tabled by the Socialist and Communist opposition in May. Sr. Suarez narrowly scraped through that crisis when the minority parties abstained.

The initiative comes at a time of escalating political violence, economic difficulty, and continuing tension over the complex programme for regional devolution and autonomy.

A police captain was shot dead in the Basque country yesterday and two radical nationalists were killed by alleged right-wingers. The latter shootings sparked off violent demonstrations, intensifying protests begun last week over the detention of a radical Basque politician under the Prevention of Terrorism Act.

In Madrid a suspected left-wing terrorist, arrested after the shooting of an army general last week, has died in police custody.

SHIPPING REPORT

# Large crude rates improve

*By Our Shipping Correspondent*

THERE HAS been a welcome improvement in rates for very large and ultralarge crude carriers (VLCCs and ULCCs) over the last week. Rates for ULCCs have settled down above Worldscale 30 and for the slightly smaller VLCCs there have been instances where rates have topped Worldscale 40.

In the previous week the highest rate achieved was Worldscale 34.75 for a VLCC sailing to Japan out of the Gulf. However, last week brokers reported that Socal took a 270,000 tonner with a part cargo of 215,000 tons of oil (discharging Korea) at a rate of Worldscale 41 based on a speed of 14 knots.

*It is still too early to assess* whether the pickup in the market is a temporary phenomenon or more soundly based. The fact that a large number of tankers have been temporarily taken out of the marketplace and are being used as storage vessels partly explains the upturn in rates. Brokers are working hard trying to discover how much tonnage has been absorbed in this way and for how long.

Brokers, E. A. Gibson estimate that there are more than 25 vessels totalling some 5½m dwt employed as storage vessels (excluding the Japanese storage programme) with another 2m dwt earmarked for similar employment. *In addition,* another 3m dwt of tankers have storage options.

In the dry cargo markets the main news of the week has been the ending of the 10-week-old Queensland miners' strike. This will probably lead to a weakening of the Hampton Roads/Japan coal rates as the Japanese (who lost 5.2m tons of Australian coal imports during the strike) return to the Australian market for supplies for their steel mills.

*In the grain trades trans-*Atlantic rates for the big 72,000 tonners have bottomed out at $14.50 per ton and 60,000 tonners are doing business at just above $16 per ton.

# More ECGD autonomy would help UK traders

BY PAUL CHEESERIGHT

BRITISH EXPORTERS may be better served if the Export Credits Guarantee Department (ECGD) is given greater autonomy, the Midland Bank *suggests in its autumn review,* published today.

The ECGD comes under more direct Government control than many other credit insurance organisations, the Bank notes. Most countries impose a limit on the commitments their *official organisations may incur,* but in practice the limits look adequate to meet exporters' needs.

The Bank's suggestion springs from criticisms levelled against the ECGD for the time taken to negotiate and implement loan arrangements requiring guarantee facilities.

It is made against a background of concern in some British business circles that the ECGD is not providing the comprehensive and expeditious service to exporters that is available in other countries. Such concern surfaced last month when Plessey failed to win an £800m contract in Iran.

The general point is not *borne* out by the Bank's study, which seeks to compare the facilities available in the UK compared with those elsewhere. But it does recommend changes in the UK system, which is operating in "an increasingly competitive environment."

Although the ECGD's umbrella for exporters is "reasonably comprehensive," the Bank *calls* for private insurance companies to play a bigger role, with the ECGD providing a re-insurance facility. Talks between the ECGD and the insurance companies should be held to devise a mutually acceptable basis for operations.

The Bank also questions the ECGD's habit of reserving the cheapest premiums for the exporter covering all his overseas business in order to gain the best spread of risks.

There could be advantages, the Bank says, in offering specified buyer or country coverage, even though premiums might be higher and a smaller percentage of exports would be covered.

Further, a contrast is drawn between the UK, where export financing has been left to commercial banks, and other countries where financing comes from a mixture of official agencies and private institutions. The review hints at the desirability of having an Export Bank in the UK.

● Lloyds Bank International is leading a group of banks providing two loans worth $33.63m (£13.9m) to finance steel purchases from British Steel and Inchon and Steel of South Korea for extensions to the Seoul underground railway. The ECGD is guaranteeing a U.S. dollar supplier credit to British Steel.

# Boeing is leading U.S. exporter

BY CHRIS SHERWELL IN NEW YORK

BOEING, the Seattle based aircraft manufacturer, has topped Fortune Magazine's list of 50 leading U.S. exporters for 1979.

The company's exports were valued at $3.97bn (£1.6bn), equivalent to 48.8 per cent of sales, which easily outstripped its nearest rivals, General Electric ($2.7bn) and Caterpillar Tractor ($2.5bn).

Aircraft and aircraft component manufacturers dominate the list. Apart from Boeing and General Electric, the top 11 companies include McDonnell Douglas, Lockheed, Northrop and United Technologies.

Of these, Boeing, Northrop, and McDonnell Douglas rank as the top three U.S. companies in terms of exports as a percentage of sales. The exports of the aerospace companies on the list amount to more than a third of the total export sales for the top 50 companies.

This total, however, which amounts to $32bn, represents only about 11 per cent of all exports from the U.S. Moreover, U.S. exports amount to approximately 7 per cent of the country's gross national product, a smaller proportion than Japan and West Germany.

Other industries strongly represented in the Fortune list include:

- Chemicals (Du Pont, Union Carbide, Monstanto);
- Industrial and *farm* equipment (Caterpillar Tractor, International Harvester, Deere, *FMC*);
- Electronics (Raytheon, Rockwell); and
- Tobacco (Philip Morris, R. J. Reynolds).

Fortune points out that consumer goods industries are rare on the list. So too are some of the giants contained in the magazine's directory of the 500 largest industrial corporations, including General Motors and IBM.

But a company's sales to foreign subsidiaries, while officially counted as exports, are not included as such by Fortune, which has followed the reporting requirements of the Securities and Exchange Commission.

## World Economic Indicators

### RETAIL PRICES

| | | | | | % change over previous year | Index base year |
|---|---|---|---|---|---|---|
| | Aug. '80 | July '80 | June '80 | Aug. '79 | | |
| Holland | 134.8 | 134.3 | 133.1 | 126.0 | 7.0 | 1975=100 |
| | July '80 | June '80 | May '80 | July '79 | | |
| U.K. | 267.9 | 265.7 | 263.2 | 229.1 | 16.9 | 1974=100 |
| U.S. | 247.8 | 247.6 | 244.7 | 218.9 | 13.2 | 1967=100 |
| W. Germany | 116.8 | 116.6 | 116.2 | 110.9 | 5.3 | 1976=100 |
| France | 252.4 | 248.7 | 247.2 | 222.1 | 13.6 | 1970=100 |
| | June '80 | May '80 | Apr. '80 | June '79 | | |
| Japan | 137.8 | 137.4 | 136.2 | 127.1 | 8.0 | 1975=100 |
| Italy | 183.3 | 181.6 | 180.0 | 151.9 | 20.7 | 1976=100 |
| Belgium | 141.4 | 140.6 | 140.2 | 132.7 | 6.6 | 1976=100 |

# 'Wales must win fight for TV channel'

By Robin Reeves, Welsh Correspondent

IF THE Government is worried that planned hunger strikes could lead to physical violence in Wales, it has only to keep its promise to establish a Welsh language television channel, Mr. Gwynfor Evans, Plaid Cymru's president, told a party rally in Cardiff at the week-end.

"The fight for a Welsh channel is one which Wales must win, because upon this fight depends the future of the Welsh heritage," Mr. Evans said.

He suggested that only loss of face was preventing the Governmentt from reverting to its original manifesto and Queen's Speech proposal to establish a Welsh television service on the Fourth Channel, due to start transmitting in autumn 1982.

He said of the Government: "If it lets me die to avoid losing face, its standing in Wales will he dealt a blow which I hope will prove mortal."

Mr. Evans plans to begin his fast to death on October 6, unless the Goverment changes its mind.

The Government is known to be deeply concerned at the possible consequences of Mr. Evans' proposed action. The situation may be discussed at a Cabinet meeting on Thursday.

# Development body rejects merger call

THE Development Corporation for Wales, which is responsible for attracting overseas investment to Wales, has strongly rejected the Commons select committee recommendation that it be merged with the Welsh Development Agency, *writes Robin Reeves.*

Meeting in Mold, North Wales, the corporation's governing board of representatives from industry, commerce and local government decided to seek an urgent meeting with Mr. Nicholas Edwards, the Welsh Secretary, to press for its autonomy to be safeguarded.

A merger with the Welsh Development Agency, Wales' equivalent of the National Enterprise Board, was recommended by the Select Committee on Welsh Affairs.

# British Airways reduces cost of Asian fares

BY JAMES McDONALD

BRITISH AIRWAYS has introduced a package of reduced fares for flights to Asia this autumn, including a cheaper advance purchase fare to Hong Kong.

Alongside its already announced £99 single advance purchase fare to Hong Kong—on which passengers cannot specify the flight—the company is offering a £149 advance purchase one-way fare, a reduction of £31, and a £298 advance purchase excursion round fare, a reduction of £52.

Tickets for the advance purchase fares must be bought at least 14 days before departure. Outbound travel must be between October 15 and the end of November; and return travel must be completed by December 15.

New and reduced fares are also available to Bangkok, Singapore, Kuala Lumpur, Brunei and Jakarta for outbound travel in October and November and between February 1 and June 15 next year.

Advance purchase fares on these routes will fall by £15 one-way and £30 return in the autumn, and by £24 one-way and £60 round-trip in the spring. Tickets, *however*, must be bought at least 30 days before departure. The fares are subject to Government approval.

"With the competition more intense than ever, we are determined to remain the leading carrier on our prime Hong Kong route," says Mr. Jim Harris, British Airways' controller, UK and Ireland.

"We have also enjoyed a lot of growth on the rest of our extensive Far East network and these latest reductions will stimulate this growth still further," he said.

# Bitter accusations after textile show is switched to Milan

BY RHYS DAVID

OFFICIALS OF the National Exhibition Centre (NEC) yesterday reacted angrily to the switch of the next international textile machinery show in 1983 from Birmingham to Milan. They alleged bad faith on the part of the European organisers, Cematex, and failure by the British Textile Machinery Association (BTMA) to argue the UK case strongly enough.

The move, which follows two and a half years of negotiation and preparation by the NEC, was announced on Friday by Mr. Pieter Leijdekkers, the president of Cematex, the European trade body covering textile machinery. He said the organisation's technical experts had not had sufficient opportunity to confirm the suitability of temporary structures which the NEC was proposing to use to accommodate the show, the biggest of its kind in the world.

The decision follows prolonged negotiations, however, over the price Birmingham was proposing to charge. NEC officials claimed yesterday that the readiness of the Italians to undercut any price Birmingham offered was the real reason for the switch. The exhibition was held in Milan in 1975 and in Hanover in 1979.

Mr. Clive Wilkinson, leader of Birmingham City Council, described the Cematex decision and the way it had been reached as disgraceful. He claimed the NEC had met every demand made on it. This included securing financial support from the Government and the city of Birmingham ensuring that the rental price for space could be substantially reduced.

Cematex claimed that the original specification for the temporary buildings which the NEC had agreed with BTMA had been changed. It had been impossible to check whether replacement buildings—introduced after the proposed original supplier had gone out of business—would meet the critical climatic requirements necessary for the successful operation of textile machinery.

Mr. Terry Golding, the NEC's chief executive, flatly contradicted this yesterday.

# The rising cost of raising children

BY JAMES McDONALD

PARENTS with one child spend 18 per cent of their take-home pay on the child until he or she is 18. *The average married* couple starting a family will spend £32,000 to bring up one child—£48,500 for two children—at today's prices.

Inflation over 18 years could easily treble these costs, but "The Which? Book of Money," published by the Consumers' Association, says prospective parents are unlikely to be put off by these figures.

As the children get older they become more expensive, and a *family with two children*, aged 17 and 15, will find that 39p in every pound goes on them. Other expensive times occur when the child is newly-born and when he reaches school age.

The book itemises the £32,000 cost of one child to a couple with average earnings—husband £6,000 per year and wife £4,000 gross—or £4,700 and £2,800 respectively after tax and assuming the wife returns to *work after five years. Loss of* the wife's net pay for five years accounts for £14,000; spending on the child over 18 years is given as £23,000; less State benefits of £5,000; net cost £32,000.

*The Which: Book of Money, available from bookshops or the Consumers' Association, Caxton Hill, Hertford, £8.95.*

# Reactors built in Germany 'work best'

By David Fishlock

GERMAN-BUILT pressurised water reactors continue to perform better than any other kind of light water reactor, says a London energy analyst.

Dr. Nigel Lucas, lecturer in mechanical engineering at Imperial College, and energy adviser to the House of Lords, *finds a much stronger pattern* in the behaviour of the pressurised water reactor than for its rival, the boiling water reactor.

In an update of an analysis he published last summer, which examines more than 1,000 operating-years for these two U.S.-invented reactors, Dr. Lucas finds evidence that pressurised water technology is transferred more efficiently from the U.S. to other countries than boiling water technology.

British-built, gas-cooled and Canadian-built heavy water reactors have not been included in his analysis because there is too little operating data available on big reactors of this kind to perform his very sophisticated type of computer analysis.

An examination of the performance of 63 pressurised water reactors of more than 150mW electrical output shows a significant tendency for their "capacity factor"—the proportion of saleable electricity produced—*to fall* with increasing size, by 3 to 4 per cent per 100MW.

It shows that more recently-built reactors have a better performance in the first year of operation, by about 3 per cent a year.

There are significant differences in the performance of plant built by different countries. German-built pressurised water reactors perform "outstandingly well," having on average capacity factors about 13 per cent better than U.S.-built ones.

They appear to improve rapidly with age over the first four to five years, eventually reaching a plateau some 20 per cent above their first-year average.

The performance of the 45 boiling water reactors examined shows much less strong patterns. But the data indicate that capacity factors fall with increasing size by about 3 per cent per 100 MW.

More recently built boiling water reactors show little tendency to perform better in their first year of operation.

Boiling water reactors show less tendency to improve with age, and eventually plateau some 15 per cent above the first year average.

*Age, size, learning and country effects in light water reactors operating data 1980. N. J. D. Lucas and J. A. Hall, Department of Mechanical Engineering, Imperial College of Science and Technology, London SW7. Pp57. £100.*

# Talks fail to save factory

DESPITE eleventh-hour talks with the management, unions have been unable to save 500 jobs at Thorn Consumer Electronics, the Colwick, Nottingham, television manufacturers.

The company intends to close the factory at the end of November.

The closure is the largest in Nottingham for several years. Talks on redundancy payments with the Transport and General Workers' Union are due to start this week.

# Microchip advice centre for industry recommended

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE ESTABLISHMENT of a microelectronics applications centre to encourage industry to improve productivity by using microchips in products and manufacturing processes is recommended in a confidential report prepared for the Scottish Development Agency.

Written by S.R.I. International, a consultancy offshoot of Stamford University, California, the report indicates a pressing need to make companies aware of the potential of new electronic technology to improve efficiency and increase profits.

It recommends that the centre should be set up as a limited company, independent of Government and academic institutions, although industry, commerce, universities and technical colleges would be invited to take shares in it.

The S.D.A. is discussing the report with interested parties, and it will form the basis of a recommendation to be put to the Government, probably before the end of the year.

One controversial aspect is the report's rejection of the idea that the centre should be grafted on to any existing academic body, such as Edinburgh University's Wolfson Microelectronics Institute, one of the two UK designated centres of excellence in the field.

Instead it suggests that the centre should be as divorced as possible from the academic image, which tends to put industry off.

It should have adequate, but unassuming buildings, probably on an *industrial estate*, and be staffed by engineers and managers recruited from industry rather than from universities.

The SDA would have to pay the centre's start-up costs but one of its aims would be to achieve self-financing in five years, by charging industry for its services. Figures in the report suggest it could reach this goal in three years.

The centre's main functions would be to make industry more aware of the state of technology and help companies with the practical problems of introducing electronics into their operations. It would also foster new electronics firms.

The report says few senior managers know how electronics could help them and some executives see the microchip as a personal threat. In a survey of 26 Scottish small businesses, 21 were found to have negligible or only rudimentary knowledge of the subject.

The Department of Industry's Microprocessor Awareness Programme is not reaching senior managers, the report says and there is a need for microelectronics to be discussed in terms of increasing profits rather than as a technological marvel.

# Pay demands keep jobs vacant—agencies

BY RAYMOND SNODDY

THE ASSOCIATION of Professional Employment Agencies has told the House of Commons Employment Committee that too many job vacancies remain unfilled because too many applicants insist "on more money than employers are prepared to offer."

The association, set up in March and representing about 100 of the small-to-medium employment agencies, also said in evidence that many other vacancies in low paid jobs are difficult to fill because of the "easy availability of social security benefits."

The Federation of Personnel Services, which also submitted evidence to the Commons committee on the basis of a survey of 600 agencies, said it did not believe that people were choosy about jobs.

Miss Christine Little, deputy secretary of the federation, which represents 1,400 of Britain's 7,000 employment agencies, said that, particularly for school leavers, the difficulty lay in finding any job. There were still vacancies for computer programmers and engineers.

The association considered that there were *two categories* of difficulties in filling vacancies: a shortage of people with the right skills; and workers who were holding out for more money than currently being offered.

Those in the first category include IATA-trained travel agency workers, electronics engineers, experienced audit staff, sous chefs, experienced word process operators and computer operators with knowledge of accounts.

It said: "Those in the second category are quite frankly too choosey. Many believe that if they wait a little longer, they will be able to find the work they want. There appears to be a lag in people's perception of their work opportunities.

The association argues that in low paid, unskilled work, many vacancies are hard to fill because the wages offered are not much more than the money that can be obtained on social security.

The association also told MPs that poor standards of education were a basic cause of high unemployment among school leavers.

# 'Unskilled face highest jobs risk'

By Elaine Williams

THE GOVERNMENT'S assertion that the unemployed could "price themselves into jobs" by taking lower pay is a cruel myth says the Low Pay Unit in its latest review published today.

Instead it is those who already have the lowest pay who face the highest risk of unemployment and are suffering disproportionately from the effect of unemployment.

The unit says the risk of losing one's job is six times as high for an unskilled worker as for a white collar worker.

It criticises the Government's intention to cut unemployment benefit in November, claiming the Government will "penalise one of the poorest groups in the country to solve a much exaggerated problem of work incentives."

There are very few people who might be financially better off out of work than employed, the unit says.

"While it may be reasonable to treat social security benefits as taxable income, there is no justification for the heavy-handed measures the Government has introduced in its place."

# Vickers plans expansion without acquisition

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

VICKERS, which merged with Rolls-Royce Motors on September 1, expects to expand without needing to take over other companies.

Interviewed in the current Vickers News, the group newspaper, Mr. David Plastow, Vickers' chief executive, says: "I believe there is a great deal of opportunity within Vickers for organic growth without looking outside."

Mr. Plastow also speaks about his determination "to integrate the two businesses as one." Five new business groups have been set up to incorporate the subsidiary parts of Vickers and Rolls-Royce.

The groups are: Howson-Algraphy, turnover £60m, described as a "clearly focused business" which will not be linked with any other; the Motor Car Group, turnover £95m, which represents the Rolls-Royce interests and Vickers Pressings; the Engineering Equipment Group, turnover £175m, formed from the original Vickers Engineering Group, and consisting of several businesses which make components and units for manufacture into final products outside the group; Engineering Products and Business Equipment Group, turnover £130m, manufacturing complete capital equipment; and a new International Group, whose shape is still to be defined.

# Government 'ambiguities' criticised

Financial Times Reporter

THE ROYAL Town Planning Institute has expressed concern to Mr. Michael Heseltine, the Environment Secretary, at "many ambiguities" in the Government draft circular *Development Control: Policy and Practice*, sent to local government associations in August.

In a letter to Mr. Heseltine with a memorandum of observations on the circular, Mr. John Collins, the institute president, says the memorandum is "a sincere attempt to clarify what is unclear in the draft, and highlight the interpretation of policy and practice which the institute hopes is intended by the Department."

Maurice Samuelson looks at how the recession has changed industry's attitude towards charitable donations

# Poor profits mean the unkindest cut of all

MANY industrial companies which make donations to charity are expected to tighten their purse strings as the recession eats into their profits. And while big charities like those for cancer research and animal welfare still retain popular support, less glamorous organisations such as those for promoting mental health, helping drug addicts or rehabilitating prisoners, find it more difficult to maintain their services and have to work much harder to raise funds.

A report published at the beginning of the summer by the Charities Aid Foundation (which advises charities and donors on taxation) showed that charities were having to find £400m in addition to their 1978-79 income of £2.25bn merely to maintain services at their existing level. Their 12 per cent rise in income compared with the previous year's figure was well below the rate of inflation.

Well under half of the £2.25bn raised, £889m came from what the fouodation calls "voluntary" income. This inclnded £421m provided by individuals; £205m from legacies; and £219m from trusts. Direct donations by companies amounted to only £44m, a mere £1m more than the previous year.

The remaining income was raised by investment, government grants, trading activities and lotteries.

The Foundation's list of the 200 leading charities was headed by the Imperial Cancer Research Fund, with a total voluntary income of £8.8m. The Fund said this week that its income is holding up surprisingly well in the recession and that people who used to put 5p into its street collection boxes now give 10p. A large part of its funds come from legacies, which remain buoyant, as people's wills largely reflect the value of their real estate.

But the Fund is noticing the effects of the recession when it seeks new covenants. Whereaa a mail shot to 1,000 would-be benefactors a few years ago might have brought 200 positive replies, the Fund new feels it is doing well if it receives 20. The tenor of many companies' replies to such letters, says the Fund, is that they are unavoidably trimming their support.

It is difficult to get companies to admit that this will be the case next year. Donations from industrial groups are not always centrally cootrolled, but may consist of individual gifts by local factories. But it is only to be expected that companies making sizeable lay-offs should be less generous to charities than in the past.

This is the case at Courtaulds, which has been steadily contracting and regroupiog its manufacturing plant aod where 8,000 redundancles have been announced since March. In the year ending March, 1979, it dooated £162,000 to charities. But this amount dropped to £146,000 in the following year. Even the British Steel Corporation helped charities last year to the tune of £138,000.

The impression that attitudes to charity are hardening in industry is shared by Mr. Derek Hornby, new chairman of Carrington Viyella. His company is plagued by the difficulties facing other textile groups and is unlikely to locrease donations to charity (which were just under £40,000 in 1978-79).

Nevertbeless, while agreeing that the recession must be influeocing industry's attitudes, Mr. Horby says "the real cruoch" began two or three years ago and was caused by adverse publicity about some charities' bandling of their finances.

"Where covenants for larga sums come up for reoewal, donors would oow be probably taking a harder look at charities' expenses than they used to," be said.

But most charities need little prompting to look hard at their expeoses. Help the Aged, which collected more than £7m, says it pays staff ooly "nominal" salaries. And even thougb its income bas not fallen aod it relies only marginally on industry, it will have to raise more funds through additional activities.

Dr. Barnado's, second in the charities' league table with £8m of voluntary income a year, also has only a few direct contributions from companies. However, it is not entirely shielded from the industrial recession, since about £½m came in the form of small voluntary deductions from thousaods of workers' salaries. It is too soon to measure how many of these deductions have disappeared because of job losses.

Most of Dr. Barnado's voluntary income is from legacies and from street collections and volunteer groups. It says its income would only suffer badly if there was a simultaoeous fall in both property and investment values, as in 1974, which affected tbe wills of its benefactors. But even Dr. Barnado's has noticed a "hardeoing" in the past two months, and its child care operations are affected by marginal cost increases and local authorities' spending curbs.

The smaller the cbarity the bigger the difficulties. Shelter (the National Campaign for the Homeless), with an income of about £¾m, is trying to bridge the gap between the 20 per cent rise in its costs and the 10 per cent increase in donations.

It has given serious thought to laying off some of its 50 permaneot employees but has decided to do so through natural wastage. It has recently been trying to secure more donations from companies, but initial results are said to be "not too encouraging."

Another organisation feeling tbe pinch is the National Association for Mental Health (Mind). It dropped from the 69th to the 109th position on the charities' list between 1978 and 1979. With its income of £376,000 it was a pygmy compared with the Royal Society for the Prevention of Cruelty to Animals (income £4.6m) and far poorer, too, than less famous animal charities such as the Donkey Sanctuary.

Too small to be recorded on the Charities Aid Fouodation's list is Release, which assists drug addits io London and the South-East. Half its £80,000 a year budget is privately fuoded, with benefactors including Virgin Records. Nevertheless, it has had to make two of its 14 staff redundant. It has no separate fund-raisers and its remaioiog staff are having to work harder to keep the organisation solvent while handling some 20,000 inquiries and cases a year.

INSURANCE

# Debate intensifies on self-regulation

BY JOHN MOORE

THE DEBATE on Sir Henry Fisher's proposals for improved self-regulation within Lloyd's insurance market became heated last week.

So beated has the debate become, that some influeotial members of the Lloyd's community are worried that it may not be able to complete the preparation of its private Bill, implementing main proposals of the Fisher recommendations, in time to meet the next Parliamentary session deadline by the end of November.

The Fisher report into Lloyd's self-regulatory systems, commissioned by Lloyd's itself, recommended 79 main systems changes and hundreds of other ancillary proposals.

Sir Henry Fisher's working party drafted new bye-laws and a draft Bill to amend the out-of-date Lloyd's Acts of 1871-1951.

The bill would establish a new Lloyd's Council of 25 members which would have wider statutory and regulatory powers than the existing 16-strong ruling Lloyd's committee.

A key change in the proposals is that the rule-making powers of the 18,552 strong private membership would pass to the new council.

The draft Bill as prepared by Fisher avoided any inclusion of the most controversial aspects of its report, such as the divestment of underwriting links of the major brokers.

Naturally enough thia proposal is proving unpopular with larger brokers, who derive a significant proportion of their revenues from these sources. But any decision on this would have to be left until the new Lloyd's council were created.

What has happened in the last week or so is that the debate oo Fisher's proposals has fanned out from arguments about details which are not incorporated io the draft Bill. Now the draft Bill itself is under attack.

Lloyd's Insurance Brokers' Committee told its 265 members: "We believe that the Bill should, as far as possible, be an eoabling measure empowering the future Council of Lloyd's to govern the market, but subject to some form of 'longstop' involving the members of Lloyd's.

"Moreover . . . before any steps are taken to make or implement bye-laws, there must always be the fullest possible consultatioo with this committee, representing Lloyd's brokers and other bodies in the community."

Lloyd's Underwriting Agents Association has said that the power of the Coucil to make bye-laws should not be unfettered, and that some residual control over this power by the membership is still needed.

One proposal which emerged from market discussions was for 250 members—160 working members and 90 from outside Lloyd's—to be able to call for a referendum on bye-laws, and so a minimum period of notice would be required for any major rules or alterations.

Market members fear that powers of the new council are too absolute and that it would have little accountability to the membership.

Smaller members of the market, such as small brokers, fear that once the new council is formulated under the new Bill there will be little room for further argument because the new council would be vested with the rule making power. Their wishes and arguments might not be heeded.

It is important, they say, that all views of the market, inclnding theirs, should be represented on the new body and a scbeme sbould be devised to achieve this.

For Lloyd'a itself, the extent of the debate and the strength of feeling is causing real worries. If the market cannot reach agreement on its own affairs and introduce its own private Bill, there are those within Lloyd's who believe that a public Government Bill may be forced on the market through political pressure.

In the past Lloyd's has relied on assent, agreement and goodwill of market members to support and act in its best interests.

While this may have worked in a more leisurely environment, Lloyd's is working to a Parliameotary deadline. Meanwhile about 40 per cent of the 18,552 members, most of whom do not work at Lloyd's, have already written in and largely expressed their approval of the Fisher report and its main proposal for the creation of a council.

# Better planning for computer use urged

BY JAMES McDONALD

COMPUTERS can contribute to an increasing amount of government business, but comprehensive arrangements for considering their future use are needed, says a report by a Civil Service study team, published today by the Civil Service Department.

"Despite considerable achievement in certain areas, no department reviewed its planning satisfactory at all levels," says the report based on studies in the Departments of Health and Social Security, and the Environment, and the Ministry of Agriculture, Fisheries and Food.

"Staff shortages are likely to be a medium or long-term problem. There are widespread deficiencies in newer technical skills; both within automatic data processing (ADP) divisions and in management services generally."

The report finds "user frustration" at the time taken to respond to new requirements. The demands by statisticians for programming support and computer time are not being handled satisfactorily, "nor is it clear that those demands are always justified," the report comments.

It discusses the planning of suitable computer schemes, management and monitoring of their development, and the control of computer work.

Roles are suggested for a new departmental ADP "strategy committee" and an ADP resources management group in management services divisions.

Against the background of a general shortage of skilled computer staff, the report also calls for more effort towards identifying and introducing techniques which could improve staff productivity.

*"Principles for the Management and Organisation of Computing in Departments,"* Mrs. S. Ross, *Room 907, Civil Service Department, Central Computer and Telecommunications Agency, Riverwalk House, Millbank, London, SW1.*

# Shell team wins Euro-business management cup

By Michael Dixon

FOUR YOUNG British executives from Shell Oil defeated seven other nations in Copenhagen this weekend to win the European Management Championship Cup.

The British players led from the start in the contest in which the teams run "paper" companies making and marketing a consumer-durable product in economic conditions simulated by a computer programme.

Although the programme for the European championship had been set to reflect a severe economic depression the Shell team finished with a profit of no less than £16.9m.

The winning margin over the team from Ireland in second place was nearly £5m—one of the largest recorded since national and international management championships were originated by the Financial Times in 1970. West Germany came third and France fourth. Denmark, Sweden, Finland and Norway also took part.

# 'Local authority jobs threatened'

BY MAURICE SAMUELSON

TENS of thousands of local government employees would lose their jobs under new spending cuts being envisaged by the Government, according to Mr. Jack Smart, chairman of the Association of Metropolitan Authorities.

Between 100,000 and 120,000 jobs would be lost in 1981-82 and a further 60,000 in 1982-83, adding up to "another massive twist to the unemployment spiral."

Mr. Smart, leader of the Labour-run Wakefield Metropolitan Council in Yorkshire, made his accusation on the eve of the association's annual conference in Manchester, which Sir Geoffrey Howe, Chancellor of the Exchequer, is to attend on Thursday.

Claiming the Government was "mesmerised by statistics," he said the redundancies being sought could not come from administrative staff. Instead, they would have to be found among teachers, residential care workers, dustmen and other council employees.

In the social services, the reductions envisaged were between 3.8 per cent and 11 per cent next year. But since these were not practicable, they would have to be made elsewhere.

# Paris wine cellar to be auctioned

IN DECEMBER, 1978, Christie's sold the surplus wines from the private cellar of La Mission-Haut-Brion, the prominent Graves Château, for £88,000. On October 2 it is selling in London the private Paris cellar of the late Fernand Woltner, part-proprietor of the estate, *writes Edmund Penning-Rowsell.*

The varied contents illustrate the exchange of wines common among the leading Bordeaux château owners, as well as the range of red and white bordeaux likely to be found in such a cellar.

Judging from the vintages of the wines, the cellar was formed in the First World War and continued to be supplemented until the 1960s. There is a range of the first-growth clarets, from six to single bottles apiece, covering more than 50 years, including those of Haut-Brion, La Mission's close neighbour.

Of the château's own wines, 47 vintages, from 1875 to 1969, are included as well as a selection of the associated La Tour-Haut-Brion and the white Laville Haut-Brion.

Woltner Frères was also the distributor within France of Pol Roger champagne and Louis Latour burgundies. Some old vintages of the former and a long run of the latter, from the inter-war years until the end of the 1960s, are included. The 477 lots total over 1,200 bottles.

The all-day sale will also take in rarities from another French cellar, that of the proprietor of the Darroze restaurant at Villeneuve-de-Marsan in south-west France.

# UK NEWS – LABOUR

## Alternatives to Press Council outlined by NUJ

BY JOHN LLOYD, LABOUR CORRESPONDENT

A SERIES of structures to replace the Press Council, with extensive powers to enforce corrections, apologies and the right of reply, has been proposed by Mr. Francis Beckett, the President of the National Union of Journalists.

In a paper shortly to be circulated to the union's branches, Mr. Beckett says it is the NUJ's responsibility to put forward an alternative to the Council following the decision at its annual conference in April to leave that body because it believed it to be ineffective.

The paper, which has the approval of the union's executive council, is not yet official union policy, having rather the status of a "green paper."

Its main recommendations are:

● The appointment of a statutory media complaints council, which would have "the sole function of investigating cases (of complaint against the media) and attempting early reconciliation."

● The appointment of a further statutory body—a complaints commission—with powers to enforce the publication of a correction, or an apology, or the right of reply from the complainant. The membership of the commission would be drawn largely from the trades unions, with minority representation of journalists and possibly some proprietorial representation.

● As an interim solution—assuming these bodies are not appointed in the short term—the establishment, by the union itself, of a tribunal to investigate complaints under its code of conduct. The tribunal would be empowered to censure and otherwise discipline NUJ members found to have violated the code.

## Journalists to meet

BY OUR LABOUR CORRESPONDENT

JOURNALISTS at Independent Television News meet today to decide whether they will continue to press for extra payment to work with electronic news gathering equipment.

They face management's threat to dismiss them if they do not agree to its introduction by September 22.

The 107 journalists, including reporters, scriptwriters and newscasters, had been offered upgraded incremental scales and a productivity increase of 3 per cent. The 32 reporters were also offered a flat payment of £750.

ITN has said that offers were not related to the new news-gathering equipment.

However, in the management's dismissal statement last week, Mr. Bill Hodgson, general manager, said the £750 and the 3 per cent productivity deal were now withdrawn. It is believed these elements would be reinstated if the journalists agreed to work with the new technology.

William Hall on British Shipbuilders' strikes

## Troubles coming by the yard

*THE sharp rise* in the number of man-hours lost through strikes at British Shipbuilders this year is an unfortunate blemish on the corporation's impressive record of industrial relations since it was nationalised.

So far this year, 725,000 man-hours have been lost in disputes, more than in the previous two years together. The year 1980 looks like being the worst year since the early 1970s for strikes and the worst since the industry was nationalised in 1977.

Most of British Shipbuilders' 73,000 labour force has been working normally but a handful of disputes, mainly in the naval warship yards, have caused the time lost this year to jump.

In March a two-week strike at Yarrow on the Clyde accounted for three-quarters of the 340,000 man-hours lost in the first half of 1980.

In June there was a nine-day strike at Vosper Thorneycroft's Woolston, Southampton, yard, and in July the current dispute started at Vicker's warshipyard at Barrow. Although the time lost in this has not been calculated, it is reckoned to be of the order of 250,000 hours to date.

Aside from a dispute at Clark Hawthorn on Tyneside and small strikes at Smith's Dock and Scott Lithgow, the merchant shipyards have been operating with little disturbance. Close to 90 per cent of the time lost has been in the three specialist warship yards of Vickers, Vosper - Thorneycroft and Yarrow.

The reasons for the deterioration in British Shipbuilders' strike record are complex. Last year's performance was unbelievably good: only 270,000 man-hours were lost, about a seventh of the national average.

This year British Shipbuilders negotiated a pay deal which was the envy of the managements of many other industries. The 11½ per cent pay increase for its workforce was well below the rate of inflation and is probably one of the underlying reasons for the restiveness now appearing in some parts of the organisation.

In addition, the fact that disputes have been concentrated in the specialist warship yards is important. Unlike the merchant shipyards, the warship builders have not been hit by the severe recession in world shipbuilding and they have been taking on workers. Shortages of specialist craftsmen at certain yards and the problem of relativity in pay structures are at the root of most of the disputes.

### Transformation

While the outbreak of disputes at the three big warship yards this year is disturbing, it is easy to overlook the transformation of industrial relations at British Shipbuilding over the past three years.

Before nationalisation in 1977, Britain's shipyards were an industrial relations nightmare. Inter-union strikes were common, bargaining units were fragmented, and stoppages were too frequent.

Since then, British Shipbuilders has reduced its workforce by a sixth to 72,700, yet industrial relations have improved immeasurably. By far the most important development was the establishment of a national agreement between British Shipbuilders and the Confederation of Shipbuilding and Engineering Unions. The first agreement was made in 1978-79.

Instead of 168 separate wage negotiations, British Shipbuilders now conducts a single industry-wide negotiation. Naturally, there are tensions when bargaining decisions are removed from local yards, but on the whole the national agreement has worked very well so far, and is regarded as the cornerstone of British Shipbuilders' long-term survival plan.

The unenviable task of transforming British Shipbuilders' industrial relations has also put a strain on the senior management involved, and this is reflected in the recent reshuffle of responsibilities.

After many months' searching, Mr. Richard Whalley was brought in from the engineering industry in April, 1979, to be the British Shipbuilders' Board member for personnel and industrial relations. However, this appointment does not seem to have been a great success and Mr. Whalley has been assigned to "special duties" until his contract expires in March, 1981.

The overall responsibility for labour relations has been taken over by Mr. Ken Griffin, the deputy chairman and a former trade unionist.

In addition to shouldering many of Mr. Whalley's responsibilities, Mr. Griffin has also had to take on part of the work-load of Mr. Ian Farningham, the managing director for industrial relations who retired for health reasons this year.

British Shipbuilders expects soon to appoint a new managing director for industrial relations, who will probably be brought in from outside the corporation. He may eventually be made an executive Board member.

Although British Shipbuilders' senior management is anxious to stress that the strength and professionalism of its industrial relations team has not been affected by the changes at the top of the department, the growing number of man-hours lost indicates otherwise.

## More railway investment urged

BY OUR LABOUR STAFF

THE Government's failure to recognise the importance of the railways had led to the "stupid situation where you constantly put up fares, service deteriorates, and everybody complains," Mr. Sid Weigbell, general secretary of the National Union of Railwaymen, said yesterday.

Mr. Weigbell, speaking on the BBC radio programme World at One, said British Rail could not adopt the strategy of cutting fares to gain more passengers, because it had neither the rolling stock nor the workers to do so.

He contrasted BR unfavourably with the German railways, which had a two-thirds Government subsidy. "That is the price of a good, modern, effective railway service, and the people in Germany like it," he said.

Mr. Cliff Rose, BR's director of industrial relations, said on the same programme that "the recession has hit us badly, particularly on the freight side." He said the passenger services had also suffered from a reduction in business travel.

Asked if BR could afford to pay the £450m-£500m wage rises linked to productivity improvements over the next four years, which has been proposed in the NUR's plan for increased productivity, Mr. Rose said BR wanted a higher-paid, more productive workforce.

However, he said some of the proposals in the union's package were "extreme," and represented bargaining positions. The 35-hour week demanded was "a long way off."

Mr. Rose said BR had told the Government major investment was required to ensure the railways' future efficiency.

"We have a difficult financial framework in which to work. We have made it clear to the Government that the existing framework is not satisfactory and will not allow us to run a rail network that this country needs in the 1980s and 1990s."

He said the Government should allow BR to improve its opportunities for investment, particularly in electrification.

Talks between the rail unions and BR on productivity are expected to resume late this month. The NUR has produced a series of proposals on productivity, though these have not yet been agreed by the other two rail unions, the Associated Society of Locomotive Engineers and Firemen and the white-collar Transport Salaried Staffs Association.

Productivity talks, initiated by BR, have been going on all year. The need for savings has been emphasised in recent weeks by publication of the half-year figures for BR, showing a £24.2m loss.

## Newspaper strike talks

By Our Labour Staff

TALKS will be held on Thursday between the National Union of Journalists and the Newspaper Society to try to avert a *strike of 500 journalists* working for weekly papers in the London area called for next Monday.

## Boilermakers to decide on election dispute

BY OUR LABOUR CORRESPONDENT

A DECISION is expected this week from the executive of the Boilermakers Union on the disputed result of the election for the union's next general secretary.

Mr. James Murray, one of the two candidates for the post, said yesterday he hoped an announcement could be made towards the end of the week. He added that a discussion by the union's executive last Friday had produced no firm conclusion.

The post is open because of the retirement of Mr. John Chalmers, the present general secretary, at the end of the year.

The result, announced last month, gave Mr. Murray a lead of 128 votes over Mr. Barry Williams, on a low poll of under 4,000 of the union's 130,000 members.

Mr. Murray, a right-winger, is chairman of the union's executive committee and has been nominated to take Mr. Chalmers' seat on the TUC's General Council. Mr. Williams, a Communist Party member, is the delegate from the union's Merseyside and North Wales district.

Both sides have alleged irregularities in the voting procedure, which is conducted at union branch level. Allegations have included widespread falsification of ballot papers.

## Reservoir plan opposed

THE NATIONAL Water Council is being asked to step in over plans to build a multi-million pound reservoir at Carsington, Derbyshire, which the Council for the Protection of Rural England feels is unnecessary.

# BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---|---|---|
| Current | International Hardware Trades Fair (0727 63213) (until Sept. 12) | Olympia |
| Sept. 9-11 | Laboratory '80 (0799 22612) | Grosvenor House, W1 |
| Sept. 9-20 | Chelsea Antiques Fair (0727 56069) | Chelsea Town Hall |
| Sept. 11-19 | International Printing Machinery and Allied Trades Exhibition—IPEX (021-705 6707) | National Exhibition Centre, Birmingham |
| Sept. 14-17 | MAB '80 International Menswear Fair (01-839 5041) | Earls Court |
| Sept. 16-18 | Ready to Wear Fashion Fair (01-637 2400) | Harrogate |
| Sept. 20-23 | International Broadcasting Convention and Exhibition (01-240 1871) | Metropole Hall, Brighton |

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

| | | |
|---|---|---|
| Current | Jewellery, Gold, Silver, Clocks and Gifts Exhibition BIJORHCA (until Sept. 9) | Paris |
| Current | Ready-to-Wear Women's Clothing Fair (01-439 3964) (until Sept. 9) | Paris |
| Current | International Leather Week (01-439 3964) (until Sept. 9) | Brno |
| Sept. 10-18 | International Engineering Fair (01-278 0281) | Zagreb |
| Sept. 12-18 | World Fair of Photography, Photo, Cine, Audio-vision—PHOTOKINA (01-409 0956) | Cologne |
| Sept. 12-21 | International Autumn Fair (01-486 1951) | Zagreb |
| Sept. 15-20 | International Tunnelling Industries Exhibition and Conference—EUROTUNNEL (0727 63213) | Basle |
| Sept. 17-26 | International Office Equipment Exhibition—SICOB (01-439 3964) | Paris |
| Sept. 18-23 | International Exhibition for Automobile, Motor Car Workshop, Service Station and Garage Equipment—AUTOMECHANIKA (01-734 0543) | Frankfurt |
| Sept. 19-24 | International Food Industry and Non-Food Products Exhibition—IKOFA (01-486 1951) | Munich |
| Sept. 21-24 | Hardware Trade Show (QUOJEM) (01-439 3964) | Paris |
| Sept. 24-26 | Automatic Testing Exhibition (02802 5226) | Paris |

## BUSINESS AND MANAGEMENT CONFERENCES

| | | |
|---|---|---|
| Current | European Marketing Association: Marketing Management (021 742 4141) (until Sept. 12) | University of Birmingham |
| Current | IPM: The Work of the Personnel Department (01-387 2844) (until Sept. 12) | Embassy Hotel, W2 |
| Sept. 10-12 | BCPA: Complete Course for Personnel Officers (01-405 1023) | Southampton Row, WC1 |
| Sept. 11 | South Glamorgan Institute of Higher Education: Financial Futures—The Cardiff Seminar (0222 492121) | Cardiff Castle |
| Sept. 15-16 | FT Conference: Developing the Annual Company Report (01-621 1355) | Savoy Hotel, WC1 |
| Sept. 16 | The Henley Centre for Forecasting: The Demanding Consumer of the '80s (01-353 9961) | London Press Centre |
| Sept. 17 | IPS: Successful Trading in Commodities, Money and Foreign Exchange (0990 23711) | Gt. Western Royal Hotel, W2 |
| Sept. 22-26 | IPM: Methods in Interpersonal Skills Training (029383 344) | Horsham, Sussex |
| Sept. 23 | College of Marketing: Innovation 1—New product search, licensing and the generation of new ideas (06285 24922) | Café Royal, W1 |
| Sept. 24 | ESC: The Profitable Exploitation of Microprocessors in Instrumentation and Control (057282 2711) | Gloucester Hotel, SW7 |
| Sept. 24 | Wehb Bowen: A Strategy for Industrial Peace and Progress (01-629 4953) | Pall Mall, SW1 |
| Sept. 25-26 | AMR International: It's about time management (01-262 2732) | Portman Hotel, W1 |
| Sept. 25 | Institute of Management Services: Energy Saving in Transport and Distribution (01-363 7452) | St. Ermin's Hotel, SW1 |
| Sept. 28-Oct. 3 | AMD: Export Management (Windsor 56047) | St. John's College, Oxford |
| Sept. 29-30 | AMR International: Positive Discipline (01-262 2732) | Café Royal, W1 |
| Sept. 29-Oct. 2 | Calus: Cost Engineering (0734 861101) | St. Anne's College, Oxford |
| Sept. 30 | College of Marketing: Innovation 2—Evaluation and acquisition of new products, processes and technologies (06285 24922) | Café Royal, W1 |

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*



# CONTRACTS AND TENDERS





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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# The cultural hurdle facing Arab businessmen

**Following Friday's introduction to the climate of Arab business, Abdul Rahman Al-Sai suggests that because of a dearth of good management the potential offered by oil revenues has yet to be realised**

Abdul Rahman Al-Sai, Director General of The Arab Investment Company: "the days of almost unavoidable huge profits are at an end."

ONE OF the disappointments of the last six years in the Arab world has been the failure of any big Arab company to break out of its home country or traditional type of business and become a major force in the Middle East. There is no point in making close comparisons with the past, but given the opportunities presented by the oil price increases since 1973-74, one might have expected a few of the big merchant houses, some banks or investment companies and perhaps a contractor or two to have taken off in the way that the Lebanese Contracting and Trading Company (CAT) did in the 1940s and 1950s, or the ill-fated Intra Bank in the early 1960s. After all, the 1970s presented bigger opportunities than were available at the time CAT established itself as the oil companies' contractor throughout the Middle East.

There are many reasons for the failure. The most fundamental is the plain fact that a surge in oil revenues should never alone be expected to be a trigger for successful growth. Then there are politics (which have hindered every type of inter-Arab development), and the hugely lucrative home markets of the oil states, which have given companies there little incentive to look elsewhere and have discouraged innovations in company policy by making massive profits almost unavoidable. The opposite problem in the deficit states, often coupled with tight state control of the economy, has created the same result. Exacerbating all of these problems is bad management.

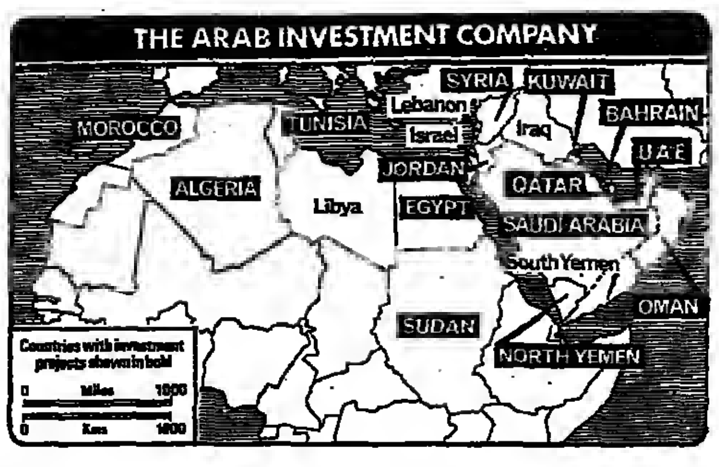
The list of ambitiously managed companies in the Arab world is not very different now from what it was 10 years ago: Middle East Airlines and Trans-Mediterranean Airways of Lebanon, the Egyptian contractors Osman Ahmed Osman and the Jordanian based Arab Bank—the latter being perhaps the one company which has grown on a regional scale in line with the expansion of the Arab economies.

To this list one might add the Kuwait Fund for Arab Economic Development which, though a different type of institution, is famously well-run, and a few new arrivals from the ranks of the big Arab merchants, whose businesses cover importing, light industrial and service ventures, hotels, contracting and shipping agencies.

The best-known examples here are Juffali, Olayan, Kanoo and Alghanim. The last two of these have now built up networks of branches and sales representatives in most of the Arabian Peninsula.

More conspicuous than these few successes has been the number of companies which would appear to have been perfectly placed for take-off in the last 10 years, but in practice have declined in relative international terms.

Management in the Arab world is plagued by the dictatorship of the chief executive. The people at the top are not prepared to delegate responsibility. This is particularly frustrating for middle management and leads to lack of commitment and job satisfaction, and rapid staff turnover. There is also a tendency for directors not to look at an employee's performance as a whole and compliment or criticise him in this broad context, but to go through his work like a schoolteacher, modifying or overruling his decisions point by point. The corollary is that demoralised employees get into the habit of shirking decisions




and referring even the most trivial matters to a director.

It is an everyday event for the head of an Arab firm to tell one of his managers not only to write a simple telex confirming a deal, but also to have the wording approved and then report back to confirm that the telex has been sent. Half an hour later the same manager of a company which may have a $100m turnover will find himself having to interview a junior mechanic who has come to ask for a job in the firm's garage.

At the root of these habits is the frightened mentality of the traditional Arab trader, who is preoccupied with preventing dishonesty among his staff rather than delegating to make his employees more productive.

This is the biggest, but not only, shortcoming of traditional Arab management. Private businesses are still mostly organised as partnerships, which reward the partners not with salaries and dividends but through a fluid system of allowances and expenses. In many trading houses there is nothing unusual in a partner dipping into the firm's current account to finance a private scheme of his own or to buy a house abroad. One result of this is a hand-to-mouth cash flow, which may leave a huge firm with scarcely enough money for wages on pay day.

Another problem with partnerships is that they are easily split; in the event of the death of a partner there has been a tendency for the sons to break up a company between them rather than have, say, two sons buying out the shares of the rest.

It goes without saying that in this world where personal inclination overrides formal organisation, the concepts of reward and punishment for management performance are always less important than the family or tribal instinct to reward according to a person's age, period of service, or need. Where a distinction is drawn between employees, it is on a kinship basis. Nationals often feel themselves superior by birth and entitled to a higher rank and better salary, even though their jobs may be heavily dependent on the support of an Arab immigrant.

Meanwhile, in the many companies that employ "other Arab" managers there will be a tendency for an Egyptian general manager to employ, promote and pay more to fellow Egyptians, while a Palestinian will do the same for fellow Palestinians. In both cases organisation becomes focused on loyalty to individuals, and the mutual loyalties of individuals, rather than on the corporation.

It is, of course, important to point out that while personal loyalty on this extravagant scale is highly damaging, personal loyalty is also one of the most positive features of Arab business organisation. It would be tragic to sacrifice loyalty on the altar of modernity, only to replace it with the alienation which is a major and increasing feature of business organisation in the West.

However, Arab directors are only too well aware of their own and their organisation's shortcomings; their problem is forcing themselves to do something about them. As the manager of a subsidiary of one of the big Saudi merchant groups put it recently: "Delegation for Arabs is like giving up smoking for Westerners; it's something one *always intends* to do but never actually does."

The owners and directors of Arab companies are reluctant to take difficult, embarrassing decisions which may cut through the intensely personal system of relationships within their organisations. Even if they are bold enough to do this they are often not sure what new system they should introduce.

It also seems that many Arab employers are temperamentally unsuited to deal with imperfect solutions. They do not like to be told that there are half a dozen possibilities, each with its own pros and cons. The result is that they will often call in a consultant — invariably referred to as an "expert" — to tell them the "perfect" solution. This is emotionally reassuring, in that the decision is made by someone else, and it gives the employer someone to hide behind when the plan upsets vested interests within his company or if the whole scheme goes wrong.

This reliance on outside "expertise" has often led to the employment of international consultants who, unaware of local conditions, devise plans which are perfect on paper but run over on cost and time. This in turn reinforces mistrust of foreign expertise, but also paradoxically confirms the manager in his indecisiveness.

All of this may make it seem that Arab management techniques are *doomed to total* immobility. Yet in the countries of the Arabian Peninsula, which in many ways are more receptive to business innovation than other parts of the Arab world, the habits of banks, contractors and several of the big trading houses are beginning to change quite quickly. The main pressure for change is sheer necessity, stemming from owners and directors being overworked, or finding their own intellectual and material resources inadequate for ventures in new industries or foreign countries.

This pressure has created the famous concept of the "watershed company" which among other types of business embraces the family firm that has been established by one or two individuals *and is by nature* extremely profitable because it has low costs. Functions such as planning or research and development are carried out by the founders themselves. However, when the scale of operations simply becomes too big for the founders to handle they are obliged to open a whole range of service departments, employ more professional managers, and accept that temporarily reduced profitability will be the price of future growth. As part of this process they also have to engender a whole set of different loyalties among employees, transforming personal loyalty to themselves into loyalty to a corporation.

The company which has been most conscious of going through this process in the past six years, in the sense of expounding its ideas in public, has been Yusuf Ahmed Alghanim and Sons in Kuwait.

But most companies in the Peninsula are still hesitating to take the plunge in the way that Alghanim, Olayan, and Kanoo have done but, whether they realise it or not, they are transforming themselves in an indirect and piecemeal way. Because of the uncertain political situation, they are beginning to set up businesses abroad, while at home they know that the days of almost unavoidable huge profits are at an end and that their response should be to diversify into more specialist and complicated areas to keep ahead of the competition. This means setting up joint venture service companies, in anything from cement unloading at the ports to the maintenance of air-conditioning systems, and going into industries geared to regional export markets. This pattern is also becoming evident elsewhere in the Arab world—not just in the Peninsula.

In both the new domestic and foreign operations, the owners of these companies find themselves *seeking the technical and* organisational expertise of foreign partners, who are used to a more stable and less lucrative environment than their own, where profits derive less from individual flair than from corporate efficiency. In this way cases of modern management are created in response to both internal and external pressures.

## Increasing motivation

There are also ways in which change is being promoted actively by a few of the company owners themselves. Quite often now one hears owners talk of their desire to perpetuate what they have created. A few of the merchants have even mentioned the phrase "going public," but none seems to have got near doing anything about it. Rather they are changing from partnerships into private shareholding companies, so that their businesses should not be split after their deaths, and thinking of ways of increasing the motivation of expatriate employees.

At present most foreign workers, both Arabs and Westerners, see a few years expatriate work simply as a means of earning a piece of capital, usually tax free. There is a very strong "look-back" factor, with employees of all nationalities counting the months until they can return home, and Westerners particularly fearing that if they stay too long they will be regarded as professionally out of touch when they get back to London, New York or Houston.

Now the idea is to encourage expatriates to stay longer and to think of building careers with their Arabian employers, which should give the companies a life and impetus of their own—an important step towards what has become the nearly universal business model.

For Western employees this revolves around the highly charged issue of delegating to give better job satisfaction. For Arab employees the problem is more complex, but also more important. It is they whom organisations see as the key to their business in the long term. Several private firms already have programmes designed to recruit young Arabs as they leave university in America or Europe.

Perhaps even more important, a smaller number are either conducting their own or sponsoring employees on management training courses. It is difficult to overstate the long-term importance of establishing a substantial indigenous professional and managerial class, which draws on both the Arab and the developed world for its skills and expertise.

But this long-term objective must take account of the almost universal aspiration of young Arabs to go into business for themselves. This tendency is, of course, reinforced by the management styles described earlier; change these and create the possibility of an employee developing his full potential for decision-making and personal initiative within a corporate structure, and the [illegible] can be broken. The presence of multi-national organisations, particularly in the Arabian Peninsula, is hastening this process.

The demand for skilled trained Arab managers has outstripped supply, and this situation will continue for at least the next decade. Traditionally-managed firms must compete in the market-place with bodies such as the Arab Monetary Fund, Gulf International Bank, The Arab Investment Company and others which place a high premium on managers with decision-making flair and entrepreneurial aptitude. Increasingly, they will have to compete on the non-financial package — including responsibility and *scope for decision-making*, or face the unacceptable prospect of employing those who couldn't make the first division.

The key to changing management practice in the Arab world, as elsewhere, lies in the example and success of existing practice. It would be foolish to equate traditional Arab management with blind conservatism and unwillingness to change, but it would be equally foolish to expect hundreds of years of practice to be jettisoned in favour of textbook theory as applied in the West (or, equally, completely different theories as applied in Japan or Korea).



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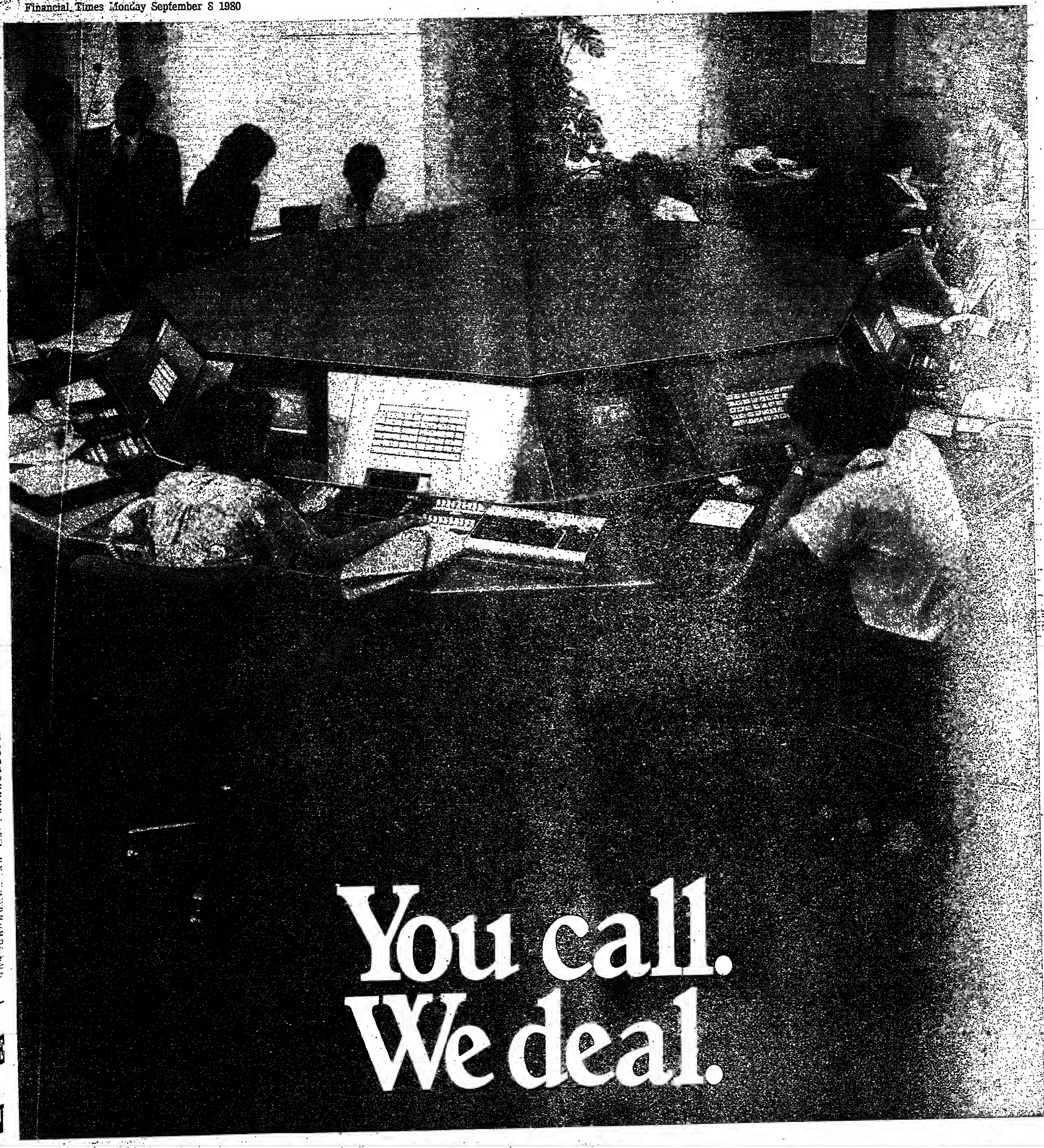

You call.
We deal.



LOMBARD

# A new proposal for sterling

BY SAMUEL BRITTAN

IF THE PRESENT high real exchange rate for sterling and the underlying structure of the balance of payments were sure to be durable, we should sit back and enjoy it.

The rational doubt, to be sharply distinguished from the producer protest which comes in every mail, is whether the present real exchange rate is sustainable.

The sterling rate may be over-shooting in the short term because of high nominal interest rates or international portfolio diversification against the dollar. A more important long-term ground for anxiety is that not enough is being done to prepare the economy for the time when North Sea oil runs dry.

The remedy for both short and medium term overshooting is the same. It is to accumulate a nest egg of overseas investment, whether direct or portfolio. Overseas investment at one and the same time generates a source of future foreign exchange earnings, puts a brake on the appreciation of sterling, ensures a current cash surplus and improves the profitability and, therefore, investment prospects of British-produced trade goods—a point I have been vainly trying to explain to the TUC since 1977.

## Important

The most important move to encourage overseas investment was the removal of exchange controls last year. Ultimately the decision about where to invest should be made by people whose own money is at stake. They are as well placed to make a judgment about overshooting as the Government, Bank of England or economic writers.

Nevertheless, net private overseas investment may take time to build up. At present gross overseas private investment of more than £7bn per annum is being offset by even larger capital inflows. As a traditional measure, there is a case for the Government building up a portfolio of profit-earning overseas investment.

Previous Governments have held a highly useful overseas portfolio, resulting from compulsory acquisition from the private sector in World War II. Unfortunately, they blew these holdings in unsuccessful attempts to hold the $2.80 sterling parity in the 1960s.

My suggestion is that a new official portfolio should be accumulated until private investors are ready to take over the job. *But it is crucial to the scheme that it should be financed as a charge on the Budget and not by increased borrowing.* In other words it is an alternative use for North Sea oil revenues to tax cuts or higher public spending.

## Portfolio

Without this proviso the simply becomes another form public sector portfolio simply becomes another form of official intervention to hold back sterling, except that long term securities are accumulated instead of U.S. Treasury Bills. The objection to conventional sterling sales by the so-called "authorities" is that if the pounds required come from the banking system they add to the money supply, while if they are financed by borrowing they raise interest rates and stimulate an overseas inflow, which undermines the whole exercise.

Purchases for the official overseas portfolio cannot begin while the PSBR is running at an £18bn annual rate, as it was in the first quarter of the financial year. They should start once public sector borrowing is—after allowing for the recession—back on target. A tougher Budget will be required in 1981 than would be otherwise. The sooner announcement of the scheme might well have an immediate effect on the sterling rate.

## Investment

Anyone who objects to the budgetary cost should not bleat about wasting North Sea oil or blowing it all in domestic consumption. Investment for the post-North Sea period has a cost; and any of it that is done officially must be counted as part of public spending.

# Video cassettes and commercial TV—decisions for the electronic age

TWENTIETH-CENTURY technology was in the background of two of last week's court cases: in the first, video-cassettes; in the second, commercial television.

At the beginning of last week, the Court of Appeal ruled that a videocassette came within the scope of the provisions of the Obscene Publications Act, 1959. At the end of the week, Mr. Justice Dillon rejected an application by directors of Westward Television to prevent Mr. Peter Cadbury, a founder, former director and prominent shareholder of the company, from convening and holding a meeting of the company's shareholders.

The Court of Appeal's decision might well bring a spate of prosecutions involving videocassettes, to add to the wave of trials involving books, magazines and films.

An article in this month's issue of a magazine "of electronic living" says "the video market in the Middle East is for romantic films to occupy the bored harems of the oil sheikhs, while in the Far West it is for porn to compensate the frustrated heterosexuals of San Francisco." Unfortunately, the article does not reveal the requirements of the markets in more temperate zones, such as Chipping Sodbury and Ashby-de-la-Zouch.

The Court of Appeal was concerned not with market forces, but with the interpretation of an Act of Parliament passed just over 20 years ago when life was not so "electronic" as we are assured that it is today or will be by the day after tomorrow.

Section 2 of the Obscene Publications Act, 1959, makes it a crime to publish an obscene article "whether for gain or not."

Subsection 2 of section 1 of the Act defines an article as "any description of article containing or embodying matter to be read or looked at or both, any sound record and any film or other record of a picture or pictures."

In the Court of Appeal's case, *Re Attorney-General's Reference (No. 5 of 1980)*, the defendants had persuaded the trial judge that a videocassette was not an article within this statutory definition. As a result he directed the jury to return a verdict of not guilty against them.

The basis of the defendants' argument was that the phrase "other record of a picture or pictures" should be interpreted as referring to a form of communication similar to the film and that a videotape was not similar to a film.

In addition, it was argued for them that when the 1959 Act was passed, videotapes were at an experimental stage and could not have been in the contemplation of our legislators.

The Court of Appeal accepted that it was the Court's duty to consider the words of the Act and interpret the relevant subsection as understood in 1959. This seems to be treating an Act of Parliament as a museum piece to be viewed through the antiquarian eyes of a curator rather than as a piece of legislation to guide the community in its everyday life day in, day out, year in, year out, until fresh legislation is passed.

However, the Court of Appeal rejected the rest of the defendants' submissions and made two rulings. One was that in 1959 Parliament would have had in mind that such electronic equipment as videotapes was likely to come about. The other was that the words of section 1 were sufficiently wide to include a videocassette, making it an article within the meaning of the statutory definition and subject to the Act.

Will the country's moral climate henceforth be more pure? Does hard core pornography cause more harm to society or to the individual than high unemployment, high rents, high fares, high prices, high interest rates and other features of the inflationary landscape? Has any legislator yet considered George Moore's aphorism "I wonder why murder is considered less immoral than fornication in literature?"

## THE WEEK IN THE COURTS

BY JUSTINIAN

At the moment, the videocassette has not replaced the printed book as formerly the printed book ouster the illuminated manuscript. But even in a country of inveterate readers—and anyone who travels in the UK cannot fail to notice a British addiction to reading—last night's television programme rather than yesterday's book is more likely to be the topic of this morning's conversations at the coffee break.

Behind the litigation resulting in Mr. Justice Dillon's decision at the end of last week are two matters. The first is whether Mr. Peter Cadbury will regain control of Westward Television by being restored to the position of a director. The other is whether Westward Television *will receive from the Independent Broadcasting Association* in December an important franchise for its television activities in South West England.

Company meetings are normally convened by the company's directors. This is hardly surprising, because the directors are legally responsible for the management of the company's affairs. But company law in this country empowers shareholders to compel the directors to call a meeting whether the directors want one or not. If the directors do not call the meeting requested, the shareholders may convene and call it themselves.

The basis of the application in the Westward Television case to prevent Mr. Cadbury, as a shareholder, from convening and holding a company meeting next Wednesday was that his meeting is due to consider a matter on the agenda for a company meeting previously arranged by the directors for October 17, 1980.

The practical significance of the meeting next Wednesday is that it may determine who represents Westward Television at a public meeting convened by the IBA before awarding a franchise. At this meeting the public will have the opportunity to assess and compare the companies competing for the valuable franchise.

Two uncomfortable prospects appear. One is that the two company meetings of September 10, 1980, and October 17, 1980, may reach conflicting decisions. The other is that between those meetings one confusion may occur in the company's affairs.

In this situation, Mr. Justice Dillon urged the parties to the dispute before him to exercise a degree of tolerance and cooperation.

He said all directors of Westward Television were motivated by a desire to promote the interests of the company and to get its franchise renewed. He would have thought it was not beyond their commonsense to ensure that whatever resolutions were passed on September 10, the directors could collaborate in carrying on the day-to-day business of the company until October 17.

His added that if collaboration were impossible, the correct remedy was for the court to appoint a receiver and manager to run Westward Television until the October 17 meeting had been held.

One of the misfortunes of any dispute among directors or shareholders is that the interests and future of a company's employees, its workforce, may be overlooked.

# Carson looks set for more wins at Doncaster

ANY PRECONCEIVED idea that Lester Piggott's seven days' suspension meted out by the Windsor stewards at the beginning of last week would result in his surrendering his bid for the jockeys' championship was effectively dispelled on Saturday.

Then, after Carson had notched a double with Dancing Shadow and More Light at Kempton, Piggott promptly countered by riding the last three winners at Haydock, thereby reducing the gap between them to five.

However, without being unduly pessimistic, those—and I believe they are the majority—who would dearly love to see the old maestro reclaim the crown for one last time before his retirement from the saddle, may well be less sanguine about his prospects by the end of this week's Doncaster St. Leger meeting where Carson is booked for a stack of probable winners.

## RACING

BY DARE WIGAN

At Windsor this afternoon, Carson is likely to extend his advantage over Piggott when he partners three horses from John Dunlop's Arundel stable, including Haddfan in the Regent Street Handicap.

But his best prospect is probably Cymbal. Although possibly better suited to a longer distance and a stiffer course, she does not appear to have a great deal to beat in the Hyde Park Stakes unless Paille, a superbly bred filly by Bold Bidder out of Prix Vermeille winner Paulista, should improve considerably on her running behind Miss Neustrie at Yarmouth last month.

Mrs. Palmer, successful in a competitive nursery at Goodwood at the beginning of last month, appears to be reasonably weighted with 8 st 4 lb in the Kensington Nursery Handicap.

WINDSOR

2.45—Hello Susie Greene
3.45—Mrs. Palmer***
4.15—Haddfan*
4.45—Sale Skerry
5.15—Cymbal**

## TV Radio

### BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 12.45 pm News. 1.0 Pebble Mill at One. 1.45 Heads and Tails. 3.5 Home on Sunday with Arthur Askey. 3.53 Regional News for England (except London). 3.55 Play School (As BBC2 at 11.00 am). 4.20 Hong Kong Phooey. 4.40 Lassie. 5.0 John Craven's Newsround. 5.10 Blue Peter. 5.40 News.

5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Angels.
7.20 Star Trek.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Spikes Gang" starring Lee Marvin.
11.00 The Editors.
11.35 Regional News.

All Regions as BBC-1 except at the following times:—

BBC Cymru/Wales—1.45-2.00 pm Tredwt. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.35 News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.35 News and Weather for Northern Ireland.

### BBC 2

6.40-7.55 am Open University.
1.00 pm Play School (As BBC1 at 3.55). 4.50 Open University.
6.55 Viking Variations.
7.05 Mid-Evening News including sub-titles.
7.15 Living on the Land.
7.45 Wainwrights' Law.
8.10 Cleo Laine and James Galway present A Harmony to Music.
9.0 Rhoda.
9.25 Horizon.
10.15 Leap in the Dark.
10.45 Newsnight.

### LONDON

9.30 am Jewellery Through 7000 Years. 10.00 Wild, Wild World of Landscape. 10.40 Young Ramsay. 11.30 The White Stone. 11.55 Dick Tracy Cartoon. 12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 Public Office. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Against the Wind. 2.30 Monday Matinee: "In a Lonely Place" starring Humphrey Bogart and Gloria Grahame. 4.15 Kidnapped. 4.45 Clapperboard. 5.15 White Light.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Give Us a Clue.
7.30 Coronation Street.
8.00 Keep It in The Family.
8.30 Just Liz.
9.00 "Bite The Bullet," starring Gene Hackman, James Coburn, Candice Bergen.
10.00 News.
10.30 Bite The Bullet (Continued).
11.55 The New Avengers.
12.55 am Close: Robert Rietty with readings for Yom Kippur.

All IBA Regions as London except at the following times:—

### ANGLIA

8.35 am The Story of Wine. 10.05 The Human Face of China. 10.30 The Beachcombers. 10.55 The Galway Way. 11.55 Cartoon Time. 1.20 pm Anglia News. 2.00 About Britain. 2.30 Monday Film Matinee: "The Whole Truth" starring Stewart Granger. 5.15 The Sandy Bunch. 6.00 About Anglia. 6.30 Survival. 11.55 A Big Country. 12.25 am Reflection.

### ATV

6.35 am Call It Macaroni. 10.20 Sesame Street. 11.20 The Entertainers. 11.45 Larry the Lamb in Toytown. 1.20 pm ATV News. 2.00 About Britain. 2.30 The Monday Matinee: "The Admirable Crichton" starring Kenneth More. 5.15 Mr. and Mrs. 6.00 ATV Today. 11.55 ATV News. 12.00 Something Different.

### BORDER

6.35 am The Adventure World of Sir Edmund Hillary. 10.00 Show Jumping with Harvey Smith. 10.25 How the West Was Won. 1.20 pm Border News. 2.00 About Britain. 2.30 Monday Matinee: "Catlow" starring Yul Brynner. 5.15 George Hamilton IV. 6.00 Lookaround Monday. 6.15 Mr. and Mrs. 8.45 The Sound of ... 11.55 Barney Miller. 12.20 am Border News Summary.

### CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and weather. 2.00 About Britain. 2.30 The Monday Matinee: "How Sweet It Is." 5.15 Happy Days. 6.00 Channel News. 6.10 Cities ... 10.28 Channel Late News. 11.55 News and weather in French.

### GRAMPIAN

6.25 am First Thing. 9.30 The Beachcombers. 10.00 Showjumping with Harvey Smith. 10.30 "The Girl in the Headlines." 1.20 pm North News. 2.00 About Britain. 2.30 Monday Matinee: "Sleeping Car To Trieste" starring Jean Kent. 5.15 Mr. and Mrs. 6.00 Devine Country. 11.55 Reflections. 12.00 Police Surgeon. 12.25 am North Headlines.

### GRANADA

6.30 am The Lost Islands. 9.55 The Beatles. 10.15 Wildlife in Crisis. 10.35 Private Lives. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 About Britain. 2.30 Monday Matinee: David Niven in "The Impossible Years." 5.15 Happy Days. 6.00 Granada Reports. 11.55 Superstar Profile.

### HTV

10.00 am Beachcombers. 10.25 The Lost Islands. 10.50 Sesame Street. 11.50 Cartoonime. 1.20 pm HTV News. 1.30 Against the Wind. 2.00 About Britain. 2.30 Monday Matinee: "The Fast Lady" starring James Robertson Justice. 5.15 Mr. and Mrs. 6.00 Report West.

HTV Cymru/Wales—As HTV West/HTV General Service except: 12.00-12.10 pm Tinlehae. 2.00-2.30 Hamdden. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales.

### SCOTTISH

9.40 am Friends of Man. 10.00 Showjumping with Harvey Smith. 10.25 How the West Was Won. 1.20 pm News and road and weather. 2.00 About Britain. 2.30 Monday Matinee: "The Catcher." 5.15 Mr. and Mrs. 6.00 Scotland Today. 6.40 Crimedesk. 11.50 Late Call. 11.55 George Hamilton IV.

### SOUTHERN

9.30 am Call It Macaroni. 9.55 Untamed World. 10.20 Search for the Super. 11.10 Little House on the Prairie. 1.20 pm Southern News. 2.00 Housepartv. 2.25 "In Tandem." 3.45 About Britain. 5.15 Off'ront Strokes. 6.00 DAY BY DAY including SOUTHSPORT. 11.55 SUPERSTAR PROFILE.

### TYNE TEES

9.20 am The Good Word followed by North East News. 9.30 The Masterbuilders. 10.00 The New Ed Allen Show. 10.20 Last of the Wild. 10.45 Space 1999. 1.20 pm North East News and Lookaround. 2.00 About Britain. 2.30 Monday Matinee: "The History of Mr. Polly" starring John Mills. 5.15 The Adventures of Black Beauty. 6.00 North East News. 6.02 Double Top. 6.25 Northern Life. 12.05 am With Best Wishes.

### ULSTER

9.40 am Spiderman. 10.00 Showjumping with Harvey Smith. 10.25 The Lost Islands. 10.55 Sesame Street. 1.55 Cartoon Time. 1.20 pm Lunchtime. 2.00 Against the Wind. 2.30 Monday Matinee: "The Affairs of Annabel" starring Kenneth More. 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 10.29 Ulster weather. 11.55 Bedtime.

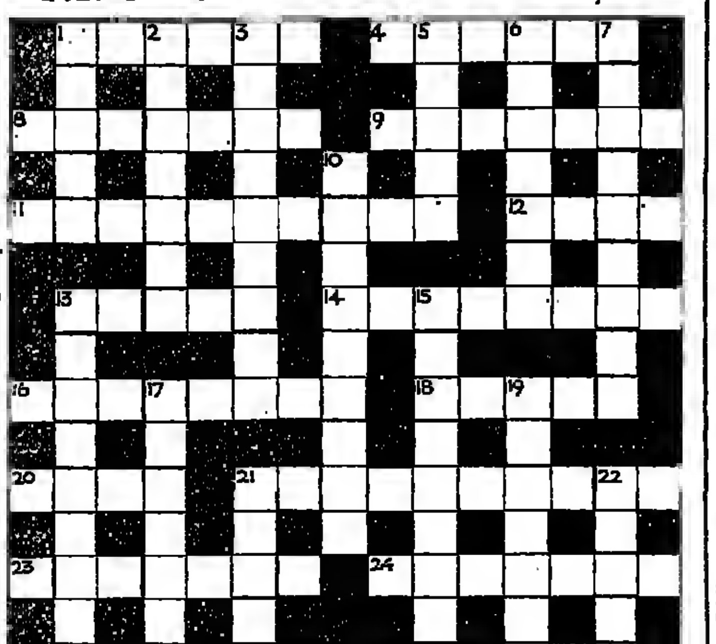
### WESTWARD

6.30 am Survival. 10.00 Show Jumping with Harvey Smith. 10.25 Feature Film: "What's Good For The Goose" starring Norman Wisdom. 1.20 pm Westward News Headlines. 2.00 About Britain. 2.30 The Monday Matinee: "How Sweet It Is" starring Debbie Reynolds. 4.12 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.31 Westward Late News. 11.55 Faith for Life. 12.00 West Country weather, shipping forecast.

### YORKSHIRE

9.30 am Expedition Sahurst Island. 10.00 Wild, Wild World of Animals. 10.25 Off On A Comet. 11.10 Young Ramsay. 1.20 pm Calendar News. 2.00 About Britain. 2.30 Monday Matinee: "Too Many Thieves." 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Calling. 11.55 The Jazz Series hosted by George Chisholm and his Gentlemen of Jazz.

## F.T. CROSSWORD PUZZLE No. 4,368



ACROSS

1 Very large protectioo for car (6)
4 Current controller of corporal punishment (6)
8 Wonderful wise men on state of America (7)
9 Here's one in the eye for crazy cool meo (7)
11 Blackiog dismissal given to Europeans (4, 6)
12 Make stage appearance as clown (4)
13 Recorder comes to point (5)
14 Man is going to one gallery in dither (8)
16 Head of magazine left helpless (8)
18 Tree found io a southern eoclosure (5)
20 Size of American state (4)
21 Relish earning mooey by impudence (5, 5)
23 Learns a new line-up for footballers (7)
24 Look here my boy improves (5, 2)
25 Haoged if it isn't hyphenated (6)
26 Countless kept in the dark (6)

DOWN

1 Runner ought to blow-out (5)
2 Two principals in rigging (7)
3 Taken somehow with a rude omen (9)
5 Throw in a heap, angry (5)
6 Admitting leader of Tories has idea (7)
7 Keep something back from offer currently available (4, 3, 2)
10 Length of queue, perhaps, to see rowing crew well down in the water (5, 4)
13 Painter blushing to be in the shade (6, 3)
15 Allow part of Ireland to retire (5, 4)
17 Sailor's tax comes to the boil (7)
19 Spot old boy upset by medicinal dummy (7)
21 Responsibility for wrong key coming to halt (5)
22 Gloat over daughter at squash (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

### Radio Wavelengths

| | | | |
|---|---|---|---|
| 1 | 1053kHz/285m<br>1089kHz/275m | 3 | 1215kHz/247m<br>& 90-92.5vhf stereo |
| 2 | 693kHz/433m<br>909kHz/330m<br>& 88-91vhf stereo | 4 | 200kHz/1500m<br>& 92-95vhf |

BBC Radio London: 1458kHz, 206m & 94.9vhf

Capital Radio: 1548kHz, 194m & 95.8vhf

London Broadcasting: 1151kHz, 261m & 97.3vhf

### RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 8.32 Simon Bates with The Golden Hour—Part 1: 1967. 10.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates with The Golden Hour—Part 2. 3.32 Peter Powell. 6.41 Stayin' Alive. 7.31 Mike Read. 10.02 John Peel (S). 12.00-5.00 am With Radio 2.

### RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music with Jean Challis (S). 6.03 John Dunn (S). 8.02 Folk on 2 (S). 9.02 Humphrey Lyttelton with the Best of Jazz on record (S). 9.55 Sports Desk. 10.02 Fras Spin. 10.30 Star Sound. 11.02 Peter Clayton with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

### RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Mendelssohn. 10.00 Coull String Quartet (S). 10.40 Bartok and Mozart piano recital (S). 11.30 Austrian Radio Symphony Orchestra concert, part 1 (S). 12.05 pm Interval Reading. 12.10 Concert, part 2 (S). 1.00 News. 1.05 Erich Gruenberg and John McCabe violin and piano recital (S). 2.10 Matinee Musicale (S). 3.10 Byrd's Gradualia (S). 4.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S) (‡ and mono only from 6.20). 7.00 Proms concert, part 1: Debussy, Stravinsky (S). 7.50 Edith Evans reads Alexander Pope. 8.10 Proms, part 2: Tchaikovsky (S). 9.05 What Did You There? (short story). 9.30 Proms from Holy Trinity Church, Brompton: concert, part 1: Martin (S). 10.00 Interval Reading. 10.05 Proms, part 2: Britten (S). 11.00 News. 11.05-11.15 Beethoven (S).

VHF only—Open University: 6.00-7.00 am and 9.20-7.00 pm and for students in Radio Scotland and Radio Cymru areas only: 12.00-1.00 am.

### RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 "The Wheels of Chance" by H. G. Wells. 9.00 News. 9.05 Start the Week with Melvin Bragg. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 The Countryside in September. 11.50 Weigh-In. 12.00 News. 12.02 pm You and Yours. 12.27 Top Brain 1980 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre. 4.45 Short Story. 5.00 PM: news magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Rumpole (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play. 8.00 Do I Hear One Million Pounds? 8.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Music at Night. 12.00 News.

### BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 6.35 Music on the Move. 7.03 Black Londoners. 8.00-5.00 am Join Radio 2.

### London Broadcasting

6.00 am AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes with Michael Clayton, Editor of "Horse and Hound" talking about blood sports and cruelty to animals. 12.00 LBC Reports. 8.00 pm After Eight Special—Mike Dickin. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

### Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Mike Allen (S). 12.00 Graham Dene (S). 1.00 pm London Today (S). 1.10 Graham Dene (continued). 3.00 Roger Scott (S). 7.00 London Tonight (S). 9.00 Alan "Fluff" Freeman (S). 11.00 John Sachs Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

## ENTERTAINMENT GUIDE

OPERA & BALLET

COVENT GARDEN. 240 1066. S. (Gardencharge CC 836 6903). THE ROYAL OPERA. [illegible]

COLISEUM. [illegible]

THEATRES

ADELPHI. [illegible] ALBERY. [illegible] ALDWYCH. [illegible] AMBASSADORS. [illegible] APOLLO. [illegible] CAMBRIDGE. [illegible] CHICHESTER FESTIVAL THEATRE. [illegible] COMEDY THEATRE. [illegible] CRITERION. [illegible] DRURY LANE. [illegible] DUKE OF YORK'S. [illegible] FORTUNE. [illegible] GARRICK. [illegible] GLOBE THEATRE. [illegible] GREENWICH THEATRE. [illegible] HAYMARKET. [illegible] JEANNETTA COCHRANE. [illegible] KING'S HEAD. [illegible] LYRIC. [illegible] LYRIC HAMMERSMITH. [illegible]

NATIONAL THEATRE. [illegible] OLD VIC. [illegible] OPEN AIR, REGENT'S PARK. [illegible] PALACE. [illegible] PALLADIUM. [illegible] PHOENIX. [illegible] PICCADILLY. [illegible] PRINCE EDWARD. [illegible] PRINCE OF WALES THEATRE. [illegible] QUEEN'S. [illegible] RAYMOND REVUEBAR. [illegible] ROYAL COURT. [illegible] SAVOY THEATRE. [illegible] SHAFTESBURY. [illegible] SHAW THEATRE. [illegible] ST. GEORGE'S THEATRE. [illegible] ST. MARTIN'S. [illegible] STRAND. [illegible] STRATFORD-UPON-AVON. [illegible] TALK OF THE TOWN. [illegible]

THEATRE ROYAL, Drury Lane. [illegible] VAUDEVILLE. [illegible] VICTORIA PALACE. [illegible] WAREHOUSE. [illegible] WHITEHALL THEATRE. [illegible] WINDMILL. [illegible] WYNDHAM'S. [illegible] YOUNG VIC. [illegible]

CINEMAS

ABC 1 & 2, SHAFTESBURY AVE. [illegible] CLASSIC 1, 2, 3, 4, Chelsea King's Rd. [illegible] CURZON. [illegible] DOMINION. [illegible] GATE MAYFAIR. [illegible] ODEON HAYMARKET. [illegible] ODEON LEICESTER SQUARE. [illegible] ODEON MARBLE ARCH. [illegible] STUDIO 3. [illegible]

ART GALLERIES

[illegible]

# THE ARTS

**Royal Court**

## Cloud Nine

by MICHAEL COVENEY

It is only a year since Caryl Churchill's sexual cabaret play was seen on this stage and, on a second viewing, I am more convinced of its merits. In the first half, we are in colonial Africa in the last days of the Empire, where a family portrait dissolves into superbly written, aphoristic comedy of sexual frustration and confusion. After the interval, we come up to date around a park bench where, although social ties are more relaxed and the odd character is trying desperately hard to be liberated, the problems are much the same.

What binds the two halves is the tone of the writing which is compassionate, witty and economic. There is no straining after period effects in Africa: just an attempt to make every line count and to reveal character development through a series of snapshot encounters. Harriet Walter, for instance, swops sex to play young Edward and finds sexual gratification with her father's best friend—an explorer who has thought of white women where no white women have been thought of before—and is, thanks to her mother and nanny, repelled by her own gender.

In Part Two, Miss Walter, completing a marvellous androgyne double, plays Edward's young sister (formerly a floppy doll) as a child-bound mother involved in a lesbian relationship and striking out for a career. If that sounds off-putting, bear with me while I explain that the evening scores countless resonances thanks to role reversal and inter-action of the company. Father's best friend (Hugh Fraser) is now Miss Walter's husband: he has read the Hite report and does know "that women have to learn to get their pleasure despite our clumsy attempts at expressing undying devotion and ecstasy." On that level, the piece is perfect company fodder and the production of Max Stafford-Clark and Les Waters positively revels in the challenge.

I withdraw all previously expressed reservations about Graeme Garden's acting ability on the basis of his accomplished control as paterfamilias and passive gay, the latter character blessed with the line, as he fondles his sister's bosom, "I think I'm a lesbian." And there is equally fine work from Ron Cook, Maggie Steed, Anna Nygh and Anthony O'Donnell. Flippant and relaxed in the nicest middle-class manner, the evening amounts to an impressively adult entertainment.

**Wigmore Hall**

## Lindsay Quartet

by DOMINIC GILL

After an unpropitious start last Wednesday, the second of the Lindsay Quartet's four recitals this month at the Wigmore Hall came together more smoothly on Saturday evening. It was an obvious choice for the Lindsay to use (since they have recorded the first three and are about to release the fourth) Michael Tippett's four string quartets as the unifying theme of their series; and it was still more imaginative programme-planning to propose the six marvellous quartets of Haydn's op. 20 as a common thread linking both the present series and their next (a Bartok cycle in February).

They may not have caught every subtle shade of ardour and expansiveness of Haydn's C major op. 20 no. 2 (there were pages in the first movement especially which moved a little drily); but there was a strong, willing current to the performance—and none of the comfortable neutrality of Wednesday. Peter Cropper sang out his first-violin melody in the adagio very roundly and sweetly; and the concentration of the ensemble in the dark *sotto voce* web of the finale, unbroken from first to last, was as exciting as it ever can be.

Tippett's second quartet, which the Lindsay gave directly after the Haydn, must inevitably have seemed an anti-climax: a *grazioso* first movement (the work dates from 1942) of amiable English pastoral; a slow movement dressed up in all the distinctive manners, but without any of the comparable substance, of Beethoven; the presto third movement, and by far the best, a jolly little skirl that sets some tricky ensemble problems (not all of which the Lindsay managed to negotiate); and the finale, supposedly the heart of the work, at first bearing oddly attractive for the very stubbornness of its refusal to lead a single idea further than two inches from home, but actually on closer examination pure applesauce.

They returned after the interval to give a decent, but routine, account of Dvorak's E flat quartet op.51, without zip, fine edge or fire: the performance was never clumsy, but the sound was tired. Are the Lindsay these days maybe working a little too hard?

## Paul Crossley

It was a pity that Paul Crossley's Wigmore recital celebrating Eric Walter White's 75th birthday failed to include the music of Stravinsky or Tippett, two composers White has championed in print and Crossley in performance. This would have been a fine occasion to re-hear Stravinsky's early Piano Sonata—which White discovered and Crossley recorded—or Tippett's Third.

In the event, the more staple fare offered on Friday evening proved almost as satisfying. Crossley's reading of Beethoven's "Waldstein" Sonata had firmly traced outlines and a refreshing lack of pomposity. But it did not, in the first movement, have quite the technical control to sustain the excitingly fast pace Crossley chose, so that shifts between semiquaver passage work and slower octaves were poorly managed. However, the slow movement was sculpted with real strength and the finale made much of the textural contrast between clean fingerwork and blurred pedalling.

The pedantic vigour and rich sonority that Crossley achieved in the best sections of his Beethoven performance were still more satisfyingly applied to his interpretation of Schumann's effusive *Davidsbündlertänze*. Crossley avoided the threat of complacency that hangs over the more *gemütlich* of these "18 characteristic pieces." His phrasing was, at times, highly strung and he displayed an interestingly wayward sense of rubato, which came close to, but never succeeded in, distending the shape of a phrase or a chord progression and this small-scale mediation between fantasy and discipline was echoed by his varied, subtle pacing of the larger sections of the work. An excellent performance.

RICHARD JOSEPH

Ian Reddington and Jenny Hall

**Exeter Cathedral**

## The Dynasts

by MICHAEL COVENEY

As part of the city's centenary celebrations, Exeter Cathedral is playing host (until next Saturday) to the Northcott Theatre's ambitious revival of *The Dynasts* by Thomas Hardy. There is no record of a professional production of these cinematic scenes from the Napoleonic Wars since Harley Granville Barker's at the Kingsway Theatre in 1914, although Hardy himself attended an OUDS selection in 1920.

Hardy first considered writing "an Iliad of Europe from 1789 to 1815" in 1875, and the three parts were published in 1904, 1906 and 1908. He intended his 19 Acts and 133 scenes for mental performance only, although an acute critic, John Wain, has suggested that "he wrote his huge work in accordance with the conventions of an art that had not yet been invented: the art of the cinema."

I would guess that Hugh Durrant's acting version incorporates about two-fifths of the original material. The best of *The Dynasts* has always seemed to me to be the narrative descriptive passages, in which battles and locations are imagined in Hardy's most accomplished prose style. The exploits of Napoleon are controlled by Hardy's concept of "The Immanent Will" and the expression of that concept, in the stilted poetry of disembodied spirits, is largely tedious.

It is impossible, in performance, to retain any of the prose qualities, and compensation must come from spectacular staging. Director Crispin Thomas treads carefully, and not all that successfully, in the footsteps of Bill Bryden's innovative promenade work at the National. Two folk singers chant on behalf of the working-class cannon fodder. An enormous *hanamichi*-style stage runs the length of this magnificent cathedral, huge tricolors at either end. The trouble is that there is little opportunity for audience flow. Having enjoyed a close-up of Villeneuve's suicide after Trafalgar, I was pinioned against a large pillar and deprived of appreciating the Russian position at Austerlitz. Having smelt Sir John Moore's blood at Corunna and been well placed for two of the best dialogue scenes in the epic — the Vienna café interlude and Napoleon's *rejection* of *Josephine* (she begins "I see my doom, my friend, upon your face!") —I was miles away from Petersburg and the Russian Empress playing ventriloquist to a dummy son.

But the mobility problem is less off-putting than the mannered acting style. Ian Reddington's Napoleon does well to breathe any character at all into his largely lifeless words, but his is the kind of *grinning stage* tyrant Ian Holm buried years ago. Similarly, John Watts, who has a real chance with King George III, settles for a gibbering, unreal madness in the "bleeding" scene that is, stylistically, as old-fashioned as Ivor Novello.

I do not want to labour my dislike of the acting—especially when Jenny Hall as Maria Louisa and Michael Irving as Wellington try so hard to break the mould. The ultimate blame, *after all*, probably lies with the intransigency of the script. In terms of staging, we kick off, after the Spirits have had their boring and thankfully inaudible say, with an impressive coronation in Milan Cathedral. This is the first time we are treated to the organist and the thrilling soprano of Janet Howd. Spectacular effects are well maintained for the first hour and *then tail off*. At *Trafalgar*, we have two enormous wooden ships dragged up the aisles while small boys throw cannon balls across the nave. Nelson is given the *full works* (by Mr. Thomas, not Hardy) with a *Te Deum*, candles and processional funeral. And, much later on, the retreat from Moscow (after a disappointingly feeble inferno at the Kremlin) is accompanied by an *illuminated snow storm* that made me glad, for the first time in months, to see a pair of glitter balls.

On its home ground, surprisingly little is made of the Wessex scenes, even allowing for the fact that nothing in them approaches the comic episodes of *The Trumpet Major*. The "Boney" conflagration takes place on the cathedral's front lawn, before we all return for the battle of Waterloo complete with puppet show, Wellington aboard a large model bay charger and the priceless exchange between the unfortunate Uxbridge and his commanding officer:

"I have lost my leg, by God!"<br>
"By God, and have you! Ay—<br>
the wind o' the shot<br>
Blew past the withers of my<br>
Copenhagen<br>
Like the foul sweeping of a<br>
witch's broom.<br>
Aha—they are giving way!"

For all its interest as a collector's item, *The Dynasts* resolutely refuses to be moved from page to stage, despite Hugh Durrant's valiant work and his efforts, in his more accustomed role of costume designer, to dress the show attractively.

### Midland Youth Jazz Orchestra on tour in September

BRMB Radio, of Birmingham, in association with the Jazz Centre Society, is presenting a four-day tour by the Midland Youth Jazz Orchestra with guests Kenny Baker (trumpet) and Kathy Stobart (saxes).

The tour, the first of its kind organised by BRMB Radio, starts in Redditch on September 11 and takes in the following venues: Redditch Palace Theatre; Lichfield Civic Hall, September 12; Dudley Faculty of Education, September 13; and Solihull Library Theatre, September 14.

All performances start at 8 pm. Tickets are £2 for adults (£1.50 for Jazz Centre Society members) and 50p for children.

Based at The Midlands Arts Centre, Cannon Hill Park, MYJO has been described as an unofficial academy for budding jazz talent in the Midlands, attracting and nurturing the abilities of keen youngsters from all over the region.

### Week of British films in New York

*British Film Now!* a special adjunct to the New York Film Festival, will take place in the city from September 20-25. There will be nine programmes of British films which have been selected to demonstrate the range of film making in *Britain* at the present.

The week has been arranged jointly by the British Film Institute and the Film Society of the Lincoln Center in New York and has been made possible by sponsorship from the British Council and several other organisations.

**Architecture**

## Language problems

by COLIN AMERY

The holiday month has two advantages. There is time to look at the great heap of architectural books and periodicals *that pile up relentlessly through* the year and there is time to visit old buildings and places untouched by metropolitan mores. My musings were concentrated on the vexed question of the recent history of modern *architecture* and *its comparative* failure to find popular success.

At the beginning of the modern movement there was one factor that achieved primacy and that was the commitment to the truths of structure and function. Architecture in the 20th century had *to concentrate* on essentials. Any involvement with historical styles or any form that even hinted at something beyond the strictly necessary was taboo. It was these very strictures that contained the contradictions that now undermine the purity and hous "truthfulness" of the modern movement. It is a logical impossibility for the art of architecture to be based on impersonal investigation alone. The built forms of modern architecture have largely remained within the framework of engineering and technology.

These *forms*, which we *see* around us in every city centre, housing estate or new school or hospital, are slightly altered and updated versions of new buildings around the world as they are seen in glossy architectural publications. The development of international architectural publishing has quickly spread the new architectural forms. The justification of the *forms by deterministic* doctrines has simply shown that the forms contradict those doctrines. For example, the social theories at the heart of the housing and urban planning policies of the 1950s and 1960s in Britain, which were once held to be the very core of the modern movement's social efficacy, have now been discredited because they have been largely responsible for the environmental problems they were supposed to end. The arbitrary nature of much modern building design is now only too apparent.

There is a feeling in the air that the days of this kind of doctrinaire arbitrariness are over. Architecture has to become responsive as well as responsible. How has this change of climate come about? The critical debate has shifted *away from* the *profession*. It is difficult to think of much informed comment coming from practising architects whose work commands respect. Whether we like it or not a *great deal of* critical opinion is formed by academics, who may or may not be architects, and from the more general debate in the *newspapers and* periodicals.

There is an unfortunate tendency for academics to invent new systems of criticism and meaning to advance their academic careers. There have been too many books published recently that propound theories about modern architecture that have little to do with life but everything to do with the games that have to be played to secure rises in the academic bureaucracy. Caught in the tangled semantic web how is the average client to begin to cultivate his sensibility?

*First* of all it is necessary to learn the new language. "Modern" or "modern movement" are now words relating *strictly* to the past. "Modernism" is a phenomenon that occurred during the first half of the century, it failed to unite art and technology and as a state of mind is now antique. "Functional" was once a word used to *persuade* clients *stark* utility was, if unattractive, both efficient and cheap.

"Functional" is not a word that is used today although you may well still bear the expression "not very functional" being used as a disparagement of aesthetic considerations. "Tough," "brutal" and "strong" were fashionable words of praise during the 1950s and early 1960s when a strong propaganda drive was under way to win public *affection for naked con*crete. Now it is safer to describe things as "monumental" if they are large and sculptural.

"Simplicity" is now confused with "slickness" and it is thought better to be "complex" or even "contradictory." There is a demand for architecture to have "meaning" although critics seem to be unable to find any meaning in the present. There is however a lot of "meaning" in the past or even in the future; there is, for example, considerable interest in the forms of science fiction and the miniature possibilities of micro-technology. If you wait a while there will be a "Futurist Revival."

It is interesting that only a few years ago it would have been thought impossible for architects to find "meaning" in historicism but now it is fine to revive *anything*, the *more* obscure the better.

**Albert Hall/Radio 3**

## Britten and Schubert

One of the warming features *of the* collaboration between Gennady Rozhdestvensky and the BBC Symphony *Orchestra* is the enthusiasm with which the Russian conductor is including different kinds of English music in his concerts. Britten's Spring Symphony, given at Saturday's Prom, responded ebulliently to *his witty, enlivening* touch; one dismissed from memory those occasions past when the work has seemed no more than a bag of tricks, and succumbed wholeheartedly to the zest of the music, its lyrical energy, its abundance of colour and dramatic variety.

There were minor blemishes—the BBC Singers and London Voices made and sustained a louder than *pp* start; the sterling-voiced mezzo, Linda Finnie, manifested insufficient sensitivity to verbal nuance; the Southend Boys' Choir got *drowned* by the brass in "Sumer is Icumen in." They seemed of little account measured against the many beautiful details discovered in the performance. I *specially relished* the moderate tempo of "Fair and Fair": when not scampered through as a musical equivalent of an egg-and-spoon race, the rhythmic "hiccups" and note of competition in the setting for soprano and tenor soloists disclose a moment of genuine poetic responsiveness. Both Eiddwen Harrby and Robert Tear were in very good voice, clear and forthright; the tenor's habit, when not singing, of illustrating his own enjoyment of music by means of mime and even dance becomes increasingly distracting.

Before the interval, Schubert's Ninth Symphony came up no less vigorously. This was no Saturday Prom Classic, underrehearsed and sloppily sounded, but *a crisp, bracing*, and very colourful reading that failed only at the lower end of the dynamic scale—again, none of the p or pp markings were willingly attended to—and in an extreme stinginess over repeats. The point that a work seems longer when its structure is improperly balanced should no longer need iteration.

**Riverside Studios**

## Wielopole Wielopole

Tadeusz Kantor's hypnotic assemblage of childhood memories is not nearly as impenetrable as has been made out. Wielopole is the small town near Cracow where the artist was born. The repetition in the title prefigures the doubling of images throughout the play, the continuous juxtaposition of the real and its copy. It is as if Kantor is saying these people existed but the memory of them in part of an imaginative reconstruction.

Kantor, dressed as usual in his black suit and white shirt prowls the wooden set of cupboards and furniture, fussily adjusting the properties. He sniffs the audience as they enter. I rather resent being weighed up in this *way*, but *all* objections disintegrate as the show gets under way. Kantor conducts the action, re-lives it, at a couple of points actually participates. His autocracy was sabotaged on Friday night by a piece of the set falling over without being invited to do so. Never mind. Here are civilians—a priest, a manic machine-gunning woman photographer, comic mustachioed twins (human with a *human* double in this case), a dusty veteran playing a hurdy gurdy, a haunted bride. And there are the militia—grey, uniform, crouched, goosestepping. The two worlds are linked by the marriage of the first recruit (Kantor's father) to the bride. His colleagues rape and dismamber the bride's dummy.

*As in a dream*, the *images* flash up and collide with each other, disappear and return more forcefully. It is this quality that is so extraordinary. The themes of patriotism, Catholicism, rape and torture merge in a nightmarish re-run of the journey to Calvary. One minute the old priest is carrying the cross, the next minute the bride is recruited as Simon of Cyrene. The Jews—in the shape of the little dumpy lady who has always been with Kantor—are gunned down en route. The back walls part to reveal naked male dummies piled into a cart. Off to camp? Everyone, real and dummy, turns up for the Last Supper and the priest, sweating and cowardly, has to be helped from the stage by a benigh but visibly moved Kantor.

This is performance art with a passion and conviction unmatched by anything similar I have seen. The People Show, for instance, simply do not have anything as desperate or important to discuss as does Kantor. Cults are dangerous, though, and Kantor is now as firmly entrenched in the festival firmament as Robert Wilson and Peter Brook. He had better watch out. Those *shiny Italian* black shoes worried me a little. So did the comment of the Riverside staffer who declared that only with Beckett had she experienced a comparable sensation of rubbing shoulders with genius.

MICHAEL COVENEY

**CRICKET** BY TREVOR BAILEY

# Brearley's men show their class

AS WARWICKSHIRE had won the John Player Sunday League a week ago, the county season really ended on Saturday when Middlesex beat Surrey in the last Gillette final by the considerable margin of seven wickets with more than six overs to spare.

It was appropriate that this match should be between the two outstanding teams of the summer, who finished first and second in the Schweppes County Championship.

*The extent* of their victory simply reflects the superiority of Mike Brearley's team and underlines the reasons why they have achieved the double.

Surrey were put into bat on a slow, easy pitch—a replica of the one used *in* the Centenary Test when the Australians punished the England attack.

They were first becalmed by the opening spell of Van der Bijl and Daniel—the most formidable spearhead on all types of pitches in the country and the main reason Middlesex won the championship—then hypnotised by the admirable Selvey, whose *12 overs* cost a *mere* 17 runs and produced two wickets, and troubled by Emburey and the lively Hughes.

Therefore at lunch Surrey were not only short of runs and running out of overs, but had also lost three wickets so that their chances of victory were *already* remote.

Although in the afternoon, Smith, Intikhab and Roope played well, they could only bring respectability to an eventual total of 201. This provided their opponents with an easy target, unless they *batted* very badly.

*In Clarke, probably as quick* if not quicker than any of the West Indian pace bowlers, and Jackman, the leading wicket-taker, Surrey also have a fine new ball pair.

They made life so uncomfortable for Downton that it was difficult to understand how he comes to be opening *for any* county, let alone the strongest. But he *has* played a number of useful innings which tends to support my belief that, if one ignores the bowlers from overseas, it is a very long time since the overall standard of bowling in domestic cricket has been so low.

It surely cannot be purely *coincidence* that the first five counties in the championship have at least one imported fast bowler. The number of anaemic attacks could also explain why several of our young batsmen have been turning out the *figures*, but, *unlike their Aus*tralian counterparts Hughes, Border and Wood, have been unable to produce them at Test level.

The two big differences between Middlesex and Surrey were that Mike Brearley possessed superior support bowlers and a *stronger batting* line-up.

In this connection it was intriguing to note that Surrey left out Howarth who, although he has had an indifferent season, possesses a class which is illustrated by several Test centuries, a distinction none of his colleagues can claim.

*Once Clarke and Jackman had* to be withdrawn from the *Surrey firing* line, the Middlesex task became progressively easier. Brearley paced his innings in masterly fashion and in the closing stages Butcher stroked a rapid 50 producing strokes which made the rest of the batting *look* mundane.

At international level, the *summer*, in addition to the weather, has been disappointing for the England selectors. Apart from the coming of age of Gooch, even though he was lbw rather too often for comfort, and the emergence of Rose as an impressive left-hander capable of coping with pace, they *have* learned little despite experimenting heavily.

There also have been numerous disappointments, so that Alec Bedser and company cannot be very sanguine about our chances this winter.

Willis, after a bright start, appears to have lost his rhythm and pace. Dilley, his obvious successor and the only other bowler around who qualifies as fast, as distinct from fast medium, has been laid low by glandular fever.

Botham who is a novice captain, not only had to cope with the problems of leading a *limited* side, but also experienced easily his worst series as an all-rounder.

Finally although Hendrick has declared himself unavailable, it was hard to envisage the seam trio of Old, Hendrick and Botham who struggled in the Centenary Test under English conditions, succeeding on the less sympathetic pitches of the West Indies.

There can be no doubt that our selectors will find difficulty in choosing a touring party capable of returning with the rubber.

**TENNIS** JOHN BARRETT

# Stirring deeds in the U.S. Open

THERE WERE stirring deeds at *New York's Flushing* Meadow at the weekend. Chris Evert Lloyd captured he fifth US Open title since 1975. Also two absorbing five-set semi-fianls provided the hoped-for climax between Bjorn Borg and John McEnroe.

Mrs. Lloyd's 5—7, 6—1, 6—1 win—worth $46,000—against the *gifted* 18 year-old Czech, Hana Mandlikova, was an emotional occasion.

When she had beaten Tracy Austin on Friday, revenge for last year's final, Chris phoned her father, Jimmy, and he flew from *Fort Landerdale, Florida*, for the final—the first time he has seen her *win* a *big championship*.

Since reappearing in the Italian Championship in May Mrs. Lloyd has lost only one of her last 43 matches—that was against Evonne Cawley in the Wimbledon final.

Miss Manlikova's fluent, *attacking* game *nearly spoiled* that amazing record. When *relaxed* Miss Mandlikova overpowers her opponents. After leading 2—0, Mrs. Lloyd was caught at 4—4 and there was little she could do to prevent the capure of her service in the 12th game—a loss that cost her the opening set.

A forehand error plus two *winning* smashes and a blazing forehand return gave Miss Mandlikova the start she wanted.

As in their last two meetings —in the semi-final of the French Open when she was beaten 6—7, 6—2, 6—2 *and in* the quarter-final in Toronto where she lost 3—6, 6—1, 6—2 —the Czech girl could not sustain the pressure.

Once Mrs. Lloyd had found her rhythm on return of service, the tide turned. By the end those familiar raking drives *were embarrassing* the younger girl whose attempts at early winners produced too many errors.

The day started sensationally when Borg, the top seed, dropped the first two sets 4—6, 4—6, to the 2-year-old South African, Johan Kriek. Seldom has the Swede *looked so* helpless. But, he was matched against *the only player faster about the* court than he is who was serving and volleying with a skill that evoked memories of Hoad and McKinley, Kramer and Gonzales.

So much tennis is played on slow courts nowadays *that* there are few high class volleyers in the men's game. But Kriek deftly mixed some exquisitely angled *stop-volleys* with heavy drive-volleys to keep Borg guessing. There seemed no way the favourite could get into the match. But there was, of course. When Kriek dropped his serve in the first game of the *third set momentarily* he had lost his grip. This lapse of concentration was fatal. Like a jungle tiger, stalking his prey, Borg pounced and from 2—1 he raced away with 16 of the next 18 games with a devastating display of ground stroke power that gave him a 4—6, 6—1, 6—1 victory in an hour and 59 minutes that bodes well for *his chances of winning a first* U.S. Open title on his third appearance in the final.

McEnroe's dramatic 6—4, 5—7, 0—6, 6—3, 7—6 win over his arch rival Jimmy Connors had a raucous and almost epic quality that kept the 20,000 spectators in the giant stadium *rivetted to their seats*.

The match began in daylight and ended under floodlights four and a quarter pulsating hours of see-saw struggle between the two best Americans vying for leadership of the U.S. game, the ground stroke king against the volleying wizard.

The first two sets *were even*. Both men were forced to work at full *stretch—twisting*, leaping and lunging for their points. Suddenly, Connors unleashed a series of thunderbolts from the baseline

The 26 minute six-game third set contained some of the finest *first-time winners I have* ever seen.

But, at 2—0 in the fourth set, after a run of 11 winning games, Connors missed an easy forehand volley at 30-all on McEnroe's serve and then netted a forehand. The *spell* was broken.

McEnroe sensed the *storm* was blowing itself out and dug himself in. A run of six games to him from 1—3 down gave him the fourth set 6—3. It left him a service break ahead in the decider. Although he let that chance slip—and another when he served for the match at 5—4 he was now breathing the same rarefying air as Connors.

Tha tie-break was an anti-climax—and should never be allowed in the deciding set of a major championship.

Coonors lost his first three service points to give McEnroe a 4—1 lead. This became 6—1 and finally 7—3 to give a tired McEnroe the chance to retain his title.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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# Poland's new leader

POLAND's new Communist party leader Mr. Stanislaw Kania is faced with two main tasks. He has to restore the faith of the Polish Communist party in itself and recreate its authority in the country as a whole. If he manages to do both he will also succeed in his other main priority, which must be that of reassuring Moscow and its nervous East European allies.

It will not be an easy task but Mr. Kania has already shown by his actions over the past two months his understanding of the fact that the balance of power in Poland has shifted significantly. At a crucial point in the workers' struggle for an independent trade union he told a party meeting in Gdansk that "the crisis must be solved by political means."

Politics is the art of the possible. It requires of its practitioners that they base their actions primarily on an assessment of the real balance of forces in the country.

### Past record

There is nothing in Mr. Kania's past record to indicate that he is anything but a convinced and loyal Communist. But the country which he has been selected, not elected, to rule has never been a truly Communist country. It is deeply influenced by the Catholic church and also proudly nationalistic. It has shown it is no longer prepared to be misgoverned. As matters stand most Poles, including the leaders and supporters of the free trade union movement, accept that, mainly for geopolitical reasons, they, too, must be realistic. The new union leaders have specifically stated their acceptance of the leading role of the Communist party.

In order to lead, however, the party needs to build up both the morale of its members and the confidence of the people at large. Both are now at a low level. To its credit the party appears to be fully cognisant of these facts. It has already begun to purge itself.

The first victims were the Prime Minister Mr. Edward Babiuch and several of his ministers. Next came Party Secretary Edward Gierek himself and several of the most obviously corrupt or ineffective members of the party. Now comes the task of attracting back to the party those with skills and talent who have stood aloof, while at the same time drawing into public life those who up to now have been excluded as non-Communists.

In the meantime the economic situation has deteriorated sharply. The Government has estimated strike losses at over $1bn. The round of wage rises conceded in order to buy a respite will inject a powerful new inflationary force into the system.

Two of Poland's principal exporters—the coal mines and the shipyards—have been prominent in the strike movement. The coal miners themselves are demanding an end to the shift system which has raised production—but at a high cost in terms of mine safety. A new effort will be required to keep exports rising.

In future higher productivity will have to come out of more rational planning, more efficient management and through a sharp improvement in the morale of all levels of society. The latter point is of special importance. Over the past two months years of pent-up emotion and tension have been spent. The workers and people of Poland have won a great victory and have regained their pride. Managing the economy has become more difficult.

### Good politics

The way out of Poland's economic dilemma lies in improving supply through more efficient use of available resources. This requires an economic and political decision-making process that takes into account not only the aspirations but also the contribution of those involved. This desire for participation is one of the demands of the free trade union movement. It is not only good politics, it could also prove to be good economics.

The precise shape of the reforms needed still has to be decided. Strikes are continuing. A period of active and probably acerbic debate lies ahead. One of Mr. Kania's tasks will be to ensure that this is as free and open as possible while at the same time taking care that it remains within limits acceptable not only to Poles but also to Poland's nervous neighbours.

# Unfair to rail users

COMMUTERS and other rail users will be justified in feeling incensed at the further inflationary imposition which is to be made on them by British Rail in November, when fares are due to rise by a percentage well in excess of the rate of inflation for the second time in less than 11 months. Last week's decision by BR management to break with its laudable practice, established over the past four years, of trying to avoid more than one fare increase annually, should be an embarrassment not only to Sir Peter Parker's management, but also to the workforce and, not least, the Government.

### Productivity

At a time when energy conservation policy would indicate the desirability of using the country's railway network more intensively and when the overriding economic necessity is to bring down the rate of inflation, it is as foolish for the Government to stick to misguided assumptions about the economics of public transport as it is for the rail unions to perpetuate their members' low pay and low status by clinging to restrictive practices which stifle the growth of the railways. Between the Government's insistence on a rapid reduction in the railways' subsidy, and the unions' intransigence on productivity, the management are left with only two options—to unload all their problems on to consumers by raising fares and freight charges, while cutting services, or to take a stand in favour of economic reality and against both the unions and the Government.

The fundamental theorem of transport economics which BR management has not been successful in explaining either to the Government or to the public is that subsidising the railway is perfectly consistent with the principles of market economics and need not be simply an exercise in featherbedding. Suburban railways, obviously, benefit not only the passengers but also the road users, residents, employers and traders in the cities served by railways. Inter-city and freight services also confer significant advantages on other road users, as well as producing energy savings, if they can be operated at an efficient level of utilisation. In all cases, but particularly for the commuter services which account for most of BR's financial problems, it is economically undesirable to impose on passengers the full cost of the service.

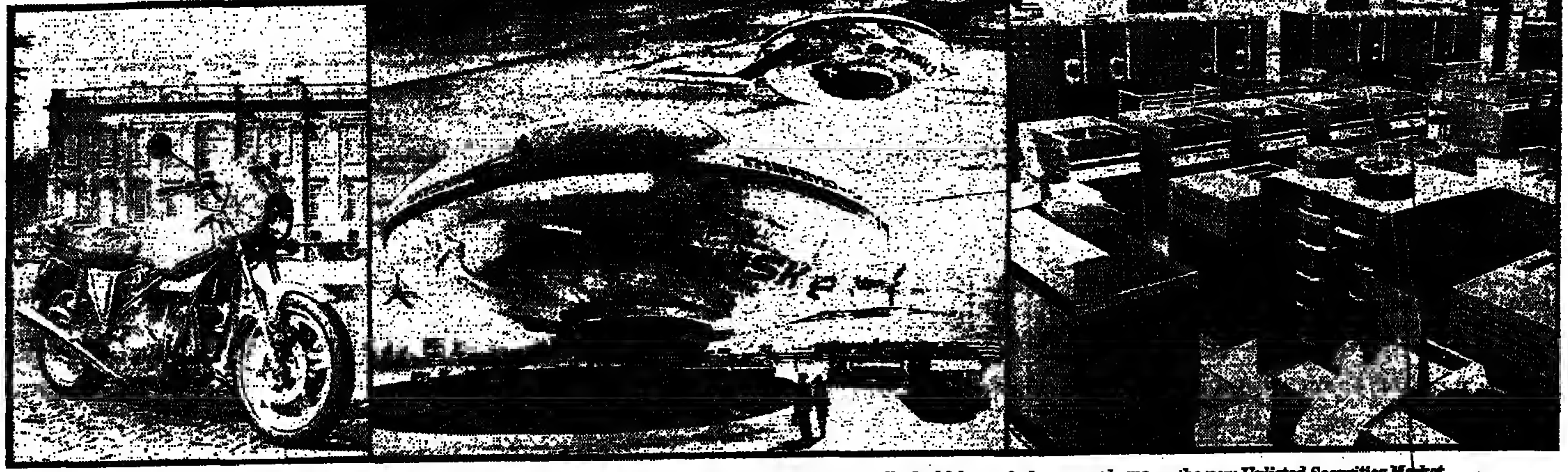
Of course the Government does provide large subsidies to British Rail. The total grant, including pension fund contributions, will be £661m this year. Although this subsidy appears enormous it is the lowest in Europe in relation to GNP and the second lowest (after Sweden) in relation to the railway's total expenditure. The other side of this coin is that passenger fares are far higher in Britain, in relation to other prices, than in other countries.

Such international comparisons do not in themselves prove that BR should be more highly subsidised. It is well known that the railways are often a haven of inefficiency even in otherwise streamlined economies, such as Germany's. BR's productivity failures are well documented. In 1976 BR management announced a plan to reduce the workforce by 40,000 by 1981. So far the reduction has been less than 8,000. In this year's pay negotiations, the management extracted an agreement from the unions to talk about productivity in exchange for a quick 20 per cent pay settlement. Sir Peter Parker staked his reputation on the success of these talks, but the results so far have been largely negative.

### Stringent

In view of BR's poor productivity record it is understandable that the Government is reluctant to see more of its money squandered on overmanning and inefficiency. However, experience does not suggest that this extremely stringent financial regime under which BR is now operating as a result of successive unplanned cuts in its subsidy is necessarily conducive to higher productivity.

If unions and management are to prove to be capable of delivering significant productivity improvements, the Government should be willing to consider treating the railways more generously, particularly as regards investment. If, on the other hand BR's management fails to extract higher productivity from its workforce, the Government may have to act more directly to impose discipline in pay bargaining and working practices. Making the commuter or the industrial rail user pay more is no substitute for decisiveness on the part of government and management.



Hesketh's new motor-cycles, Airship Industries' balloons and some new computer equipment: all of which can find a new home on the new Unlisted Securities Market.

# Shares: trying to have it both ways

*Q: When is a stock market listing not a stock market listing?*

A: When The Stock Exchange Council says it is not.

**CHRISTINE MOIR examines the consequences of the proposed Unlisted Securities Market (USM) which, whatever the Stock Exchange claims, introduces a two-tier system to the stock market**

WITHIN a few months companies which do not wish or do not qualify to join the elect group whose shares are classified as "listed on the Stock Exchange" may choose to join a new market on which their shares will be continuously traded.

The new market will:

● offer the same facilities as listed companies enjoy, especially their powers of raising capital;

● be regulated by the Stock Exchange and open only to those companies which sign undertakings with the Stock Exchange Quotations Department.

Transactions in the new market will:

● normally be conducted through jobbers

● be recorded in the daily Official List of the Stock Exchange.

Given these facts companies successfully seeking entry to the new market should, one would think, be entitled to claim their shares were listed on the stock market. But the Stock Exchange Council intends to persist in denying them that claim and is clinging to its own title for the new market—the Unlisted Securities Market.

It is difficult to see *how* the Stock Exchange can call the new market "unlisted" when the shares which will be traded on it will be admitted to its own official list and regulated by its Quotations Department, but it is not difficult to see *why* it wants to draw the distinction.

The Stock Exchange is justifiably proud of the tight control it maintains over companies listed with it. Disclosure and accountability standards of publicly quoted companies are extremely high and investors in those companies are able to feel confident that their activities are scrutinised with diligence and expertise.

Investing in unquoted companies carries no such guarantee since it is not subject to the disciplines if the Stock Exchange. The risks are higher. Yet for all sorts of reasons in the past decada or so fewer and fewer companies have chosen to come to the official market. Instead they bave allowed their shares to change hands on the twilight market permitted under Rule 163(2) of the Stock Exchange.

This rule, intended to provide limited transactions in small public companies such as football clubs, simply covers the establishment of a fair "arms length" price for the trade. Apart from this one factor, companies trading under the rule are totally unregulated by the Stock Exchange.

Two years ago the Stock Exchange began to test the demand for trading under rule 163(2) as part of a study to determine why fewer companies wanted to trade on the official market.

It publicised the existence of the rule with startling effects. Turnover in the 163(2) market leapt ahead; companies began to ask for placings to be made through it; certain merchant banks and issuing houses began to specialise in bringing companies to market through it.

The original football clubs and sleepy friendly societies have now been joined by new generation high-fliers like hi-fi and micro-chip service companies, such as United Electronics, Baker Electronics and Air Call.

## Regulation moves

The pitfalls were obvious. Here was a market, publicised by the Stock Exchange and taking place on the market floor but not policed to the Stock Exchange Council.

In April 1979 the Stock Exchange therefore established a committee to study the unlisted market and its development and to determine how some sort of regulation could be made to apply to it before the exchange found itself embroiled in scandal.

Mr. Charles Eglington, chairman of the Quotations Committee and author of the draft proposals which have finally been prodnced to regulate the new market, mada it clear that the intention was to avoid having two sorts of listed companies.

"If you establish a two-tier market," he says, "standards of regulation inevitably tend to drop to the level of the lower tier" and the Stock Exchange's proud claims for its listed companies would be undermined.

It was equally clear that to attract the 163(2) companies to a regulated market major concessions would need to be made over the listing rules. The companies involved and their advisors made it clear that they preferred to stay outside the market than comply with the existing rule book.

The first set of draft rules for the new market, dubbed the USM (Unlisted Securities Market) were published last December. As described there were grounds for saying that the market was distinct from the market for listed companies. It was to be a transitionary market meant for small or young companies which would one day seek a listing. The arrangements for transition would have been purely formal after a compulsory year or so in the USM.

Unfortunately for the neat solution to the problem, the basic premise on which it was based has now been reversed.

After eight months of studying submissions from member firms, merchant banks, institutions, the Bank of England and professional bodies, the committee has now conceded that companies would not be attracted to regulation through a transitionary market from which they would be under pressure to graduate.

The new rules therefore provide for a new market which could be a permanent alternative to the listed market. Whereas, under the original concept entry qualifications were to have been pretty well similar to those for listed companies, but subsequent policing was to have been lower, the opposite is now true.

Entry qualifications bave been reduced. Companies will now need to offer only 10 per cent of their equity to the general pnblic (originally it was to have been 15 per cent). Listed companies must issue 25 per cent.

Unless required under the Companies Acts, USM companies will not have to produce full prospectuses including auditors certificates before being introduced to the market, nor will they need to sign a working capital statement for the Stock Exchange. In fact, the role of accountants and issuing houses in vetting and underscoring the financial stability of USM companies has been greatly reduced.

Thereafter, however, the difference between listed companies and USM companies will almost disappear. USM companies will have to sign a general undertaking to the Stock Exchange very little different from the *Listing Agreement* central to the main market.

They will also have to maintain the same level of accounting disciplines as listed companies. An earlier proposal that USM companies need not comply with standards of accounting practice has been howled out as dangerous and undisciplined.

Only one specific significant difference remains. Whereas listed companies must disclose details of acquisitions or disposals involving more than 15 per cent of their assets or earnings, USM companies will need only to tell shareholders when such transactions reach 25 per cent. This is a simple adjustment to account for the fact that most USM companies will be small and — it is hoped — growing.

Transition from the USM to the listed market will not be semi-automatic, as was originally suggested. On the other hand companies already in the listed market will be able to relegate themselves to the USM if shareholders approve.

These changes to the original proposals have undermined the clear cut, if fine, distinctions originally drawn between the two markets. It is now much more sensible to think of one as being a lower-grade variation of the other with lower entry requirements but otherwise identically regulated.

The Stock Exchange continues to protest that it has not created a two-tier market but the confidential document now circulating to those who submitted comments on the original proposals contains a number of subtle admissions that important problems could arise.

These are mostly of a statutory nature. For various fiscal, legal and Companies Act provisions careful distinctions are drawn between listed and unlisted securities. For example, the new Finance Act 1980 attempts to encourage investment in small companies by providing tax relief for losses on unquoted shares in trading companies.

Under the Insurance Companies (Valuations of Assets) Regulations 1976 insurance companies cannot include unquoted securities amongst tha assets which formally offset their liabilities. Authorised unit trusts are similarly constrained under the Prevention of Frand (Investments) Act 1958 to limit unquoted securities to 5 per cent of their portfolios.

Most pension funds have similar if self-imposed ceilings on the proportions of unquoted securities in their portfolios.

## Conflicts of interest

The conflicts of interest which will therefore be generated by the status of the new market are obvious and a solution is both imperative and far from clear.

"I should mention in passing that if in the event prices are quoted on a continnous basis for securities not formally admitted to listing, it will be necessary for the authorities to ensure that the status of these securities is unambiguously determined for the purpose of the various provisions of tax law which refer to 'quoted' securities."

Under the new rules the Stock Exchange Official List will carry daily records of bargains marked in the USM—a record only slightly less exhaustive than the listed rules whereby all business done is recorded. On this basis alone the Inland Revenue could well find grounds for saying that the USM was a "quoted" market; certainly many insurance companies and unit trusts would argue for such an interpretation.

The new market is also likely to introdnce problems of interpretation in other areas. For instance, it revives the moribund concept of the "matching broker"—a move which raises the problems of dual capacity among Stock Exchange member firms.

Provincial brokers, keen to bring small local companies to the USM where they will probably attract only local investors, bave reminded the Stock Exchange that jobbers may not be interested in making markets in such small localised companies.

To satisfy these member *firms the* Stock Exchange has dug deep into its unused rules to discover that where fewer than two jobbers make a market in any security, brokers are permitted to "match" business — that is, to marry would be buyers and sellers without having to go through the jobbing system.

This rule, virtually defunct, is now being dusted down for the USM. The Stock Exchanga bopes that it will be so infrequently used that the dust will again be able to settle — it will, for instance, be rare for there not to be two jobbers in a stock. Or will it? The equity market is *not so* attractive as it bas heen. The numher of jobbers is declining through mergers and withdrawals.

USM brokers may be forced into acting both as agents and principals in order to maintain steady markets. In any case case the spectre of dual capacity is the last thing tha Stock Exchange needs while it is preparing to defend its insistence on single capacity in the Restrictive Practices Court.

Another important area of potential conflict is the special market created for minerals exploration companies under rule 163(3). In the past eight months no fewer than six oil exploration companies have come to the 163(3) market raising £28m among them.

The Stock Exchange intends to force them onto the USM market where regulation is almost identical to that for listed companies by withdrawing the power of jobbers to offer full markets in 163 stocks which will now revert to occasional bargains.

This could have the effect of driving exploration companies off the London market altogether to some other financial centre which will not impose such stringent standards of accounting, for instance.

The USM, as it is now to be constituted, looks a practical and attractive market which should encourage companies to join. But it is undoubtedly in need of a new name which will bring out into the open the fact that the stock market will from now on be a tiered affair in which some investments will be less risk-free than others by virtue of their lower standards of entry.

# MEN AND MATTERS

## Taking the cure again

Bacon-making never was much of a business for Rank Hovis MacDougall. Now all afroth over its latest breakthrough in fungus food, it has sold Hilliers of Nailsworth, Gloucestershire—its sole interest in bacon—to Bill Newton-Clare, former chairman of Bowyers, later Scot Bowyers, and now chairman of the Bacon and Meat Manufacturers' Association.

Not that the *1,000 pigs a week* converted into rasbers, pies and bangers at Hilliers will show np strongly against the squealing bordes dispatcbed by giants like FMC or the invading Danes, but Newton-Clare is in an expansionist frame of mind.

Backed by Safeguard Industrial Investments and London and Yorkshire Trust Holdings, he has gone back into business in his own right at a time wben prospects for the UK industry are looking brighter than for some years.

The Common Market's monetary compensatory amounts have been transformed by the *strength of sterling from* subsidies into levies on edible imports from the EEC. This reversal (notice bow the farmers bave stopped complaining) has put the Danes and Dutcb at a disadvantage

The outlook must be sunny indeed, I suspect, for the industry's most loquacious spokesman, *customarily heard* preaching gloom and doom, to talk now of "an enhanced future." He has, however, taken care to move into a long-establisbed company with a sound local reputation whicb will shield bim from the pressures in the mass market sbould the "enbancement" not live up to expectations.

And to round off a happy summer, a stroke of good fortune. Pork Farms chairman David Samworth was earmarked to take the BMMA chair this year, but he has pulled out to run tbe Meat and Livestock Commission, leaving the way clear for Newton-Clare to remain at his post atop the bacon-makers' soap box.

"An Island, Sir, is an area of *land entirely surrounded* by foreign cars"

## It's a stick-up

No longer can the IMF liva up to its nickname, the Infallible Monetary Fund. The annual report, as weighty and glum as ever, has appeared this morning stuffed with dire predictions and lightly sprinkled with what the locals call "bloopers."

Blooper 1 can be ascribed only to oversight. Bill Ryrie, now a Treasury mandarin, cast a long shadow during his four-year stint as Britain's executive director. But be left nine months ago, and it is unfortunate—not to say disparaging—that the name of his successor, John Anson, makes its debut in the report on a scrappy little *erratum* slip stuck over Ryria's.

For blooper 2, turn to a key chart on page nine. Purporting to trace 20 years' real growth in GNP per employee in the world's major industrial nations, it is pure garble.

A mortified fund official ruefully admitted that the chart was "upside down." Inversion *of page* nine, *however*, indicates that the explanation is *not* so aimple. A corrected drawing has been gummed over the offending diagram. But unfortunately the error was discovered only after hundreds of vital preview copies had been posted to institutions and Governments, who are now, I *suppose, wondering how all* those unintelligible events afflicted the world for two decades *without* anyone noticing.

## Home base

John West, it may he truly said, came up the hard way. He also came the long way to tbe chief executive's office at Reckitt and Colman. Replacing John Cleminson, who stays as chairman, West joined the company in 1958 as a trainee. After barely a year he was transported to Australia and three years later found himself posted to India. By 1970 he was hack in Britain, on the main Board and sharing control of the European patch over which he clocked up innumerable miles.

His mileage rate slowed a little in 1976 when be took over the home market, but no sooner had be grown used to short-haul commuting than he was whizzed off again as managing director of Australian operations.

Home again, be still has many hours' flying time to log, I fear. As company secretary David Clifford points out: "About 70 per cent of our sales and 90 per cent of our profits come from overseas—and Australia is the largest single profit esrner."

Ah well, back to tbe Qantas lounge.

## Reluctant bride

As if the days were not already full enough for Fiennes Cornwallis (the French, in case you had not heard, are making life difficult for all our Kant farmers, among whom be is a leading light) business affairs elsewhere bave taken a sticky turn. Chairman of the Town and Country Building Society, Cornwallis *currently confronts* the ticklish task of cancelling plans to merge with the Midshires Society.

In a business noted for peaceable mergers, and considering the complementary nature of the two friendly societies concerned —one almost wbolly occupied in the *South*, the other *in* the Midlands—the breakdown indicates a measure of uncharacteristic nnfriendlinesa on ona side or tha other.

The difficulty, says T and C general manager Leslie Pink, stems from "major difficulties at the top.

"It is better that an engagement should he broken off rather than bave an unhappy marriage," he adds, in terms rather more positive than the po-faced official statement put out by Cornwallis and Philip Court, chief general manager at Midshires. "Merger," it said, "is unlikely to ba confirmed without soma further expression of the views of the members of the two societies."

And that, Pink says, means that from T and C's side at least, members who recently approved the calling of the banns will be asked to reverse their decision and allow Cornwallis to call the whole thing off.

I hear, however, that Court bas other ideas, and may yet try to drag Cornwallis unwilling to the altar. Off on a long week-end, he was not available to expand. And since Cornwallis was at bome presiding over a bappier merger—the marriage of his daughter—I felt disinclined to play the role of *spectre* at his family feast.

## Jonah?

Far be it from me to cast a pall over the Irish Sea jollities laid on for dealers by BL to celebrate *the arrival of the Mini* Metro. But am I the only one to notice that leading the high seas enertainment on tha vessel is a gronp named Wall Street Crash, directed by a young man, Keith Strachan, who hies from that other disaster area, Consett?

**Observer**

FINANCIAL TIMES SURVEY
Monday September 8 1980

# International Reinsurance

The world reinsurance community—beset as much as any by recession, inflation and high interest rates—is keeping a wary eye on the excess capacity which has for long overhung the market. But fears of a possible threat to stability have so far proved unfounded.

## Still no sign of a shake-out

By John Moore

REPRESENTATIVES from the world's reinsurance community will be heaving a sigh of relief as they gather for their annual conference this week at Monte Carlo. In the space of the year since the last conference the reinsurance market bas absorbed insurance losses from three hurricanes and emerged unscathed.

At their last two meetings the doomsday theory bad been promulgated by leading experts in the market. The theory was a simple and alarmingly rational one. It was said that cowboy reinsurers had taken a conscious decision to undercut reinsurance premium rates in order to enter the reinsurance market and establish a position within that community. The competition was described as "amateurish" in this quarter and the capacity "innocent" and inexperienced in the art of reserving for catastrophic losses and large series of claims.

The implications for the world insurance community at large were serious indeed. Reinsurance often proves to be the bedrock of many insurance groups. Reinsurance can assume all or part of a risk undertaken originally by another insurer. This provides them with capacity which enables them to underwrite a larger amount of business than they could otherwise bave written.

It protects insurers against the accumulation of losses arising from a big individual loss or catastrophe such as a long series of individually manageable claims from a fire or hurricane. The use of reinsurance spreads tbe financial burden on reserves attending the growth of premium income; and it generally reduces an insurer's net liability to amounts considered appropriate to the insurer's financial resources.

There bas not been a major shake-out in reinsurance capacity for nearly 15 years. The experts were arguing that given the equivalent of Hurricane Betsy of 1965—which adjusting for 1980 values would require a hurricane causing around $3bn worth of insured damage—then the big bang would take place, capacity would withdraw or collapse and financial pressure would be pnt on those wbo survived until premium rate increases could begin to work their way through.

### Soundly

As it is Hurricane Frederic of last year caused $752m of damage, affecting 10 U.S. States. The amount of catastrophe claims in the U.S. last year hit an all-time high, swelled by Frederic, with losses exceeding $1.7bn.

Hurricane David, which followed closely behind Frederic in the Caribbean, caused about $122m worth of insured losses. Early estimates for the recent Hurricane Allen suggest that insured losses of around $200m might be incurred.

These claims bave fallen on a market which is awash with capacity—wbich is not as innocent as some observers would like to think. Tbe new competition is often more soundly backed than the innocent capacity of previous cycles. Even thongh certain companies may look on occasion to be under-capitalised and under reserved they are in many cases backed by sturdy parent companies whieb can inject fresh capital.

Fire losses, partly caused by recession-inspired losses resulting from arson showed a big jump in the U.S. in the last two qnarters of last year. According to Conning and Company, third quarter fire losses rose on the comparable period 19.9 per cent to $1.16bn while the fourth quarter of 1979 sbowed a rise of 29.2 per cent to $1.2bn.

The world's largest ever marine claim remains to be settled. Some $300m of losses arose from the failure of cargo insulation systems of three liquefied natural gas carriers being built for El Paso Natural Gas at Arondale Shipyards in New Orleans.

Add in 1979, wbich turned out to be the worst marine insurance year ln peacetime, and tbe more localised computer leasing losses and the picture looks bleak. Moreover, there are pent-up liability claims, particuarly on asbestosis, which are going through the courts and causing underwriters a large amount of anxiety on whether they bave reserved adeqnately for what are running out at jumbo-size court awards.

Yet even this may bave only a small effect. The most that seems to be happening is that reinsurers are tightening up on treaty wordings to avoid ambiguities and reducing, if not suspending altogether, their exposure in liability insurance which bas any asbestosis content in the risk. Moreover, for every odd instance of an insurer or reinsurer withdrawing from a certain line of business two more are coming forward to provide the capacity.

Risks are becoming increasingly atomised and fragmented among the companies and the exposures of reinsurers to any ooe large loss are therefore correspondingly limited.

The most obvious feature of the past year is the remorseless climb of interest rates. U.S. prime rate has risen steadily—then fallen almost perpendicularly at one stage. Rates are now beginning to climb again. In the UK interest rates have been up at new record levels. Investment income has produced the bulk of insurance companies profits since before the war.

### Exhortation

Despite constant exhortation by members of the international reinsurance community on the importance of a technical underwriting profit, most are not unduly concerned if they are supported by investment income. Even investment income in Lloyd's non-marine market for its closed 1976 underwriting account last year made all the difference between wbether the market made a profit or a loss.

Combined ratios of 47 reinsurance companies — the formula which shows the ratio of losses and loss expenses incurred to premiums earned, plus the ratio of expenses incurred to premiums written —in the first six months of the current year in the U.S. are virtually nnchanged, standing nearly 1½ points on the right side of the line—below 100 per cent and therefore profit making.

The structure of the American reinsurance market is going through a dramatic upheaval as the reinsurance companies bave proved to be attractive takeover targets. Only one major independent U.S. reinsurer is now left—General Reinsurance.

Getty Oil's bid for ERC, worth $565m, whicb knocked out Connecticut General's approach to ERC, was described by the Getty organisation in the following terms: "Reinsurance is a growing business that provides financial flexibility without requiring an elaborate and large marketing organisation."

Certainly, with any degree of financial muscle behind them these groups have shown rapid growth. As the latest round of regroupings of capacity are taking place in the U.S. market so more reinsurance is retained in the U.S. market and this is putting competitive pressure on the London market, which is seeking U.S. reinsurance business. After all the U.S. market accounts for nearly a quarter of world-wide reinsurance premiums of $34.5bn.

If there is any mischief coming from the "cash flow cowboys" it is coming from an altogether different quarter. To secure a broad spread of business, reinsurance groups often grant facilities to specialists who will produce business on their behalf. They are not risk carriers in their own right and are remunerated by commissions. The complex reinsurance programmes whicb they can arrange sometimes cause trouble which is not helped by the slowness of the transmission of cash balances between one party and another, particularly at a time of high interest rates.

Already there bas been visible signs of strain in the London market and it is a problem which is likely to become worse as long as interest rates remain at relatively higb levels and capacity remains well in excess of world insurance requirements.

Even those companies which have been pursuing a cautious underwriting policy during a long period of competitive aggression — and bave lost market sbare for their pains—are now talking about re-entering the main competitive arena, so the pressure on rates is not likely to subside.

At the same time underwriting talent and professional underwriting skills do not seem to be keeping pace with the growth of capacity. The prospect of fancy U.S. salaries attracted a poor response from Lloyd's underwriters when the job offers came from the New York Insurance Exchange.

Competition from other quarters is also intensifying. The Arabs are attempting to keep more business in their own markets. And the captive explosion is not yet over, with an estimated 2,000 captives, compared with 1,200, arriving on the scene by 1984.

### Realised

Small wonder then that many insurance and reinsurance brokers who have realised that growth possibilities in the U.S. market and other areas are becoming increasingly limited, are seeking new markets such as China for future growth.

While the commercial pressures remain intense so the number of legal disputes is increasing—pntting pressure in turn on the expenses of all groups. At the same time the disputes themselves are becoming increasingly complex.

All this is taking place against a background where any upturn in the underwriting cycle is still some way off. Experts are now predicting that it will not be before the latter balf of 1981 or 1982 that the turnround will come.

But with so much capacity around—capacity which is becoming increasingly soundly based with the support of strong parents—experts are wondering whether the next upturn in tbe cycle may be more sbort-lived and more limited than most.

ON OTHER PAGES


# Blueprint for a modern Lloyd's

LLOYD'S of London has reached a critical stage in its 300-year-old history. A report prepared by Sir Henry Fisher and a working party which has surveyed self-regulation within the Lloyd's market has recommended a wide range of changes in Lloyd's systems.

The changes recommended by Sir Henry Fisher's report are more numerous and radical than had been expected and have surprised many members of the Lloyd's market in their scope and detail.

In essence the report raised questions about Lloyd's structure, its government, discipline, efficiency, management, security and its accountability, and concluded that "snbstantial changes in the constitution of Lloyd's are necessary to enable the Society to cope successfully with the problems nf the present times."

Almost three months have passed since the appearance of the report and Lloyd'a members are beginning to worry that if many of these changes are implemented it might have a material impact on business flows coming into the market.

The worry is understandable. Lloyd's is recognised as the hnb of the reinsuranca and insurance world, with balf of its near £2bn of premium accounted for hy reinsurance business.

## Controversial

Like all insurance markets Lloyd's is facing possibly the greatest competition that it bas ever faced, with world insurance capacity showing little sign of contracting. Many members feel that if some of the Fisber proposals are implemented Lloyd'a may be disadvantaged competitivaly for the future.

The Fisber report noted these fears—which warned that "a proliferation of rules, an excess of legalism, and an extension of bureaucracy might stifle initiative and destroy the atmospbere of freedom in which Lloyd's operates hest"—but stressed that "formal procedures must now be availahle to deal with those who transgress tbe rules."

Traditionally Lloyd's evolved as a market which relied on the universal consent and agreement of its members in the way it supervised its affairs. Bnt consent in modern highly competitive conditions is not always *obtainable and the wishes of* the 16-strong ruling committee are not always observed.

The Fisher team made the following main proposals:

- A new Council of Lloyd's of 25 members sbould be formed to make general rules and bye-laws. The rule-making power nf the 18,552 members of the market would be transferred to the Council, allowing it to function with speed and confidence.
- The new council would be composed of 16 working members of Lloyd's elected hy other working members. Six non-wnrking members would be elected by a postal ballot of non-working members. Three members to come from outside Lloyd's, nominated by the Council—the nominations to be confirmed by the Governor of the Bank of England or any other independent confirming authority.
- Executive functions of the Council to be carried ont by the committee nf Lloyd's, which will consist of tha 16 Council members who work at Lloyd's.
- New disciplinary proceedings, with a wide range of penalties, including fines, suspension and expulsion of members.
- Over five years tbe shareholding links between Lloyd's insurance hrokers and managing *agencies, the groups* which lonk after the affairs of underwriting syndicates, should be tarminated. Over tbe same period the abareholding links between Insurance interests outside the Lloyd's market and managing agencies should he terminated.
- The rule restricting the ownership of Lloyd's brokers by insurance interests outside tbe Lloyd's market to a 20 per cent shareholding should he dropped.

The most controversial of the proposals has been the recommendation that brokers should divest themselves of tbe rigbt to manage underwriting syndicates.

Fisber said there was a growing concentration of hroking business within Lloyd's. In 1978 of the tntal premium placed in *all markets 41 per cent* was placed by three broker gronps, and 68.4 per cent was placed by twelve hroker gronps; in the marine market the figures were the same as for all markets; in non-marine the figures were 36.4 per cent and 68.1 per cent respectively, while in the aviation market 45.3 per cent and 79.6 per cent of premiums were placed by three and twelva broker groupa respectively.

The great majority of the larger managing agency companies, which run the underwriting syndicates at Lloyd's, are broker-controlled or partially owned by a Lloyd's broker; 45.39 per cent of the underwriting capacity at Lloyd's is managed by "broker-controlled" agencies with a further 5.87 per cent managed by "*broker-involved*" agencies.

Moreover, the concentration of hroking business and underwriting capacity is likely to continne as more mergers take place within the UK broking community.

There ara many conflicts of interest which exist in this cosy arrangement. The most important abuse that Fisber listed was that action could be taken by hrokers which wonld be contrary to the interest of Lloyd's as a market. Lloyd's is a market, says Fisher, where underwriters are in competition with each other, and where (if there is to he genuine competition) hrokers abould place their bosiness with those underwriters wbo offer the best terms.

"It is inconsistent with this ideal if brokers favour their own controlled syndicates; it would he even more inconsistent with this ideal if they were to give all, or a substantial propor*tion, of their* business to their own syndicates. It would be contrary to the basis of trust on which Lloyd's operates if an underwriter were to offer terms to his controlling broker which ba would not nffer to other brokers, especially if be were to make use of his knowledge of other brokers' business to do so," states the report.

## Drafted

The commercial pressures on members of the market are often intense, particularly when the constituents of Lloyd's often bave many conflicting responsibilities. Tha largest Lloyd's brokers, says the report, are often public companies and the working party was told that with the *constant* pressure on a public company to maintain an increasing trend of profitability at a time of high inflation and difficult trading, and in particular where its agency husiness represents a substantial part of its total business, it may seek to maximise the profit return from the agency company without proper regard to the interest of members of the agency's syndicates.

There is a particular danger of abuse when the owning company is a pnblic company, particularly if it has a large broking business and the influence exerted on tha underwriter by the weight of its account is usually strong. One witness told the Fisher team: "Modern pressures make it increasingly difficult for brokers to wear two hats successfully, particularly wben they are publicly qnoted and continually aware of their earnings per share figures."

Although the Fisher team drafted a Bill of Parliament to bring into being the new ruling Council of Lloyd's and amend the existing Lloyd's Acts the divestment proposal is not included as part of the planned initial legislation.

Already the big brokers, wbn have the most to lose, are seeking to modify or in some cases reject the proposal.

If implemented totally, observing both the letter and the spirit of the Fisber report, *divestment* could cause *many* repercussions in the international reinsurance community.

As power has become more concentrated in Lloyd's so Lloyd'a has gradually been losing its identity as a market place wbere free trade can thrive. For those outside Lloyd's bringing their business to the market the attractions of Lloyd's security are always an incentive tn do business with underwriters. But — and arguably — the rates they have been offered within Lloyd's have not been as *competitive* as they would have been if a less concentrated structure had existed.

If Lloyd's were to unbundle its broking interests from the underwriting sections of the market and allow free market conditions to prevail competition might become keener within Lloyd's. While this might be at some expense tn ratings and profitahility for Lloyd's underwriters, it would be of overall advantage to the Lloyd's user, and enhance the market's *reputation at the same time.*

The Fisber report has said that if Lloyd's is to remain competitive, it will have to take advantage of new technology, *even if this means abandoning* hallowed practices.

The report recommends a major change to the fundamental rule 3 of the 1871 Act nf *Parliament* which has proved such a major source of contention in the Sasse affair. That rule says that all underwriting business transacted at Lloyd'a shall be conducted in the underwriting rooms and not elsewhere. For those producing business overseas for Lloyd's through binding authorities this rule bas caused some alarm, particularly since it became a central issue in the Sasse litigation.

Fisber bas ruled that the words "in the underwriting rooms" should be replaced by *the words "in the room or any* other premises approved by the," new, "Council for underwriting." Developments in techniques of communication and data processing, says the report, may necessitate cbanges in the methods of conducting insurance business at Lloyd's. "It would be wrong for Lloyd's to have a fundamental rule whicb *might* impede *or* delay the introduction of the most up-to-date techniques."

More caution has been urged in the use of binding authorities, devices wbereby outside insurance specialists, often hased overseas, can accept risks on bebalf of underwriters. The amount of insurance business whicb a Lloyd's syndicate can accept *is strictly* related to the amount of capital backing the syndicate. But the amount of premium received can often depend on the amount of business produced by a distant binding authority bolder.

Fisber admits that much of tha insurance business written at Lloyd's, particularly U.S. business, would not bave come to Lloyd's but for binding authorities. Without the use of binding anthorities Lloyd's syndicates, with their small staffs, could not have acquired and dealt with the volume of business whicb *has* over the years come to Lloyd's.

## Litigation

"It would inflict serious barm on Lloyd's *if measures to* control premium income were drafted and operated in such a way as to inhibit this kind of insurance business." But the Fisher team bas sald that there must be proper processing of the authority through Lloyd's central services. "Every authority sbould contain a limit to the amount of premium which can be written under it."

A system of Lloyd's tribunals for vetting potential binding authority holders should be mandatory. "It sbould be an offence to give a binding authority to a cover bolder wbo should have been tribunalised but was not or wbo failed the tribunal."

This may bave some impact, if implemented, on Lloyd's business volumes but the loss is likely to be in the poorer quality of business which the market could well do witbout.

This cbange, and the 79 main recommendations together with bundreds of supplementary propoasls of the report, are likely to take years rather than weeks before they become part of Lloyd'a aelf-regulatory machinery. Bnt if implemented, as the report saya, Lloyd'a will be able "to put aside any suggestion that it is not in control of its own membership and affairs, and will continue to play a dominant role in the world'a insurance markets."

**John Moore**

### BROKERS IN ALL MARKETS

All Broker Groups with at least a 1% of the Total Market in any one year are shown

| Largest Broker Groups (cumulative) | Cumulative Percentage of Total Premium placed in All Markets | | | | |
|---|---|---|---|---|---|
| | 1978 | 1977 | 1976 | 1975 | 1974 |
| 1 | 17.7 | 11.7 | 11.2 | 11.7 | 11.2 |
| 2 | 29.0 | 21.8 | 22.3 | 21.7 | 20.2 |
| 3 | 39.5 | 31.1 | 31.1 | 30.3 | 28.4 |
| 4 | 46.3 | 40.2 | 39.5 | 38.3 | 36.2 |
| 5 | 48.8 | 44.7 | 44.5 | 42.9 | 40.6 |
| 6 | 53.2 | 48.8 | 49.1 | 47.1 | 44.9 |
| 7 | 57.4 | 52.7 | 53.7 | 51.3 | 48.9 |
| 8 (i.e. approx. top 5%) | 60.0 | 55.5 | 57.8 | 54.3 | 52.2 |
| 9 | 62.0 | 58.3 | 60.6 | 57.3 | 55.0 |
| 10 | 63.9 | 60.6 | 64.7 | 59.5 | 57.6 |
| 11 | 65.5 | 62.5 | 65.6 | 61.6 | 60.2 |
| 12 (i.e. approx. top 7½%) | 67.0 | 64.3 | 68.4 | 63.6 | 62.2 |
| 16 ( " " " 10%) | 72.5 | 70.4 | 74.4 | 71.1 | 71.2 |
| 24 ( " " " 15%) | 79.4 | 78.1 | 81.6 | 80.7 | 81.8 |
| 32 ( " " " 20%) | 83.6 | 82.4 | 87.9 | 84.4 | 86.4 |
| 40 ( " " " 25%) | 86.6 | 85.5 | 91.1 | 87.1 | 89.5 |
| All | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: Report of the Fisher working party*

### THE MARINE MARKET

| Largest Broker Groups (cumulative) | Cumulative Percentage of Total Premium placed | | | | |
|---|---|---|---|---|---|
| | 1978 | 1977 | 1976 | 1975 | 1974 |
| 1 | 21.1 | 11.7 | 12.6 | 12.4 | 12.6 |
| 2 | 33.6 | 23.2 | 23.5 | 21.7 | 21.1 |
| 3 | 41.0 | 34.2 | 33.0 | 30.1 | 29.0 |
| 4 | 46.3 | 41.5 | 40.5 | 37.9 | 35.1 |
| 5 | 49.6 | 45.4 | 45.7 | 41.5 | 39.1 |
| 6 | 52.7 | 48.8 | 49.2 | 45.0 | 43.0 |
| 7 | 55.8 | 52.3 | 52.7 | 48.3 | 46.4 |
| 8 (i.e. approx. top 5%) | 58.8 | 55.5 | 55.7 | 51.5 | 49.7 |
| 9 | 61.8 | 58.2 | 58.7 | 54.5 | 52.9 |
| 10 | 64.0 | 60.8 | 61.3 | 57.3 | 56.1 |
| 11 | 66.2 | 63.1 | 64.0 | 60.1 | 59.1 |
| 12 (i.e. approx. top 7½%) | 68.4 | 65.2 | 66.5 | 62.8 | 62.1 |
| 16 (i.e. approx. top 10%) | 75.3 | 73.0 | 75.2 | 72.6 | 72.5 |
| 24 (i.e. approx. top 15%) | 83.1 | 81.4 | 83.6 | 82.8 | 82.6 |
| 32 (i.e. approx. top 20%) | 87.2 | 85.6 | 88.6 | 88.1 | 88.3 |
| 40 (i.e. approx. top 25%) | 90.1 | 88.7 | 91.5 | 91.5 | 91.7 |
| All | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: Report of the Fisher working party.*

### THE NON-MARINE MARKET

| Largest Broker Groups (cumulative) | Cumulative Percentage of Total Premium placed | | | | |
|---|---|---|---|---|---|
| | 1978 | 1977 | 1976 | 1975 | 1974 |
| 1 | 14.6 | 15.2 | 13.8 | 12.8 | 11.4 |
| 2 | 28.9 | 23.5 | 23.3 | 22.7 | 20.7 |
| 3 | 37.4 | 30.8 | 30.7 | 31.3 | 28.8 |
| 4 | 44.0 | 37.7 | 37.7 | 38.5 | 36.1 |
| 5 | 49.6 | 44.3 | 44.7 | 45.6 | 43.3 |
| 6 | 54.5 | 49.5 | 50.1 | 51.1 | 48.8 |
| 7 | 58.9 | 54.4 | 55.0 | 55.5 | 53.6 |
| 8 (i.e. approx. top 5%) | 61.3 | 56.7 | 59.8 | 59.0 | 57.4 |
| 9 | 63.4 | 59.5 | 62.8 | 62.2 | 60.4 |
| 10 | 65.2 | 62.1 | 65.1 | 64.1 | 62.8 |
| 11 | 66.7 | 63.9 | 67.0 | 66.4 | 64.8 |
| 12 (i.e. approx. top 7½%) | 68.1 | 65.4 | 68.8 | 68.1 | 66.6 |
| 16 (i.e. approx. top 10%) | 72.6 | 70.2 | 74.6 | 74.4 | 73.5 |
| 24 (i.e. approx. top 15%) | 79.4 | 77.1 | 82.6 | 83.7 | 82.9 |
| 32 (i.e. approx. top 20%) | 84.4 | 81.9 | 87.5 | 87.9 | 87.1 |
| 40 (i.e. approx. top 25%) | 87.7 | 85.3 | 90.6 | 90.7 | 89.9 |
| All | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: Report of the Fisher working party.*

### THE AVIATION MARKET

| Largest Broker Groups (cumulative) | Cumulative Percentage of Total Premium placed | | | | |
|---|---|---|---|---|---|
| | 1978 | 1977 | 1976 | 1975 | 1974 |
| 1 | 17.5 | 15.0 | 15.0 | 14.4 | 14.0 |
| 2 | 32.3 | 28.1 | 28.0 | 28.2 | 27.2 |
| 3 | 45.3 | 39.0 | 38.0 | 40.3 | 39.1 |
| 4 | 52.2 | 46.4 | 45.3 | 49.5 | 49.9 |
| 5 | 57.7 | 52.1 | 52.6 | 54.7 | 55.5 |
| 6 | 62.8 | 56.8 | 59.0 | 58.8 | 61.8 |
| 7 | 66.7 | 61.1 | 64.2 | 62.6 | 65.5 |
| 8 (i.e. approx. top 5%) | 70.1 | 64.6 | 67.8 | 66.2 | 68.5 |
| 9 | 73.0 | 67.9 | 70.7 | 69.5 | 71.4 |
| 10 | 75.4 | 71.1 | 73.6 | 72.4 | 74.2 |
| 11 | 77.7 | 74.1 | 76.4 | 74.5 | 76.7 |
| 12 (i.e. approx. top 7½%) | 79.6 | 75.9 | 78.8 | 76.5 | 78.9 |
| 16 (i.e. approx. top 10%) | 85.3 | 82.4 | 86.2 | 83.8 | 86.0 |
| 24 (i.e. approx. top 15%) | 92.0 | 89.9 | 92.5 | 91.3 | 92.7 |
| 32 (i.e. approx. top 20%) | 95.2 | 93.8 | 95.0 | 94.5 | 95.6 |
| 40 (i.e. approx. top 25%) | 96.8 | 95.8 | 96.3 | 96.4 | 97.3 |
| All | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: Report of the Fisher working party.*

N.B. All the above tables relate specifically to Lloyd's of London.

# Brokers chasing the cash

"PROVISION against outstanding trading balances" explains a small note in one UK insurance broker's accounts. "Provisions against potential losses in respect of trading balances not directly concerned in but associated with litigation," says another broker's set of accounts, in marginally more explicit fashion.

The trend has been much the same in the latest results season of the UK insurance broking sector. Many brokers have reported exceptional or extraordinary items which reflect the trouble most brokers are running into in collecting their cash from other intermediaries, agents, agencies and assorted pools.

As one broker observed: "The money is flowing like glue." The argument runs in broking circles that while they can benefit from universally high interest rates there comes a cut-off point at a certain level where they can no longer benefit to a large extent from their cash balances.

## Predators

That point has now been reached, some claim. For if they have their eyes on the substantial cash flows passing between underwriters and reinsurers and round again in the international insurance chain so do many more cash-hungry predators.

What is happening, they say, is that money is remaining longer with the more speculative end of the insurance chain, leaving them to fund claims and clear arrears of premiums with underwriters in the Lloyd's market from their own cash resources.

Just how bad the movement of cash is and how weak some of the links are in the international insurance chain is reflected in the string of provisions, exceptional and extraordinary items in many of the profit and loss accounts published by brokers this year. Moreover, most brokers in London are increasing their overall bad debt provisions substantially.

While the movement of cash is slow from the speculative ends of the market, London itself is adding to the delay. In June Mr. Peter Green, chairman of Lloyd's, issued a stern lecture to members of his market.

He told them that Lloyd's "is coming under criticism for its daily handling of the routine of insurance—the delivery of the policy or other evidence of insurance, the collection and payment of premium and, perhaps worst of all, delay in the assured receiving the proceeds of his claim, about which I receive frequent complaints from all parts of the world."

He added: "Too frequently the fault lies fairly and squarely in London." The situation was to be monitored closely within Lloyd's, he warned the members.

Most security checks carried out by the brokers on the risk carriers are perfunctory, mainly because there is often an absence of adequate financial data in the risk carriers' balance sheets. Moreover, if the risk is atomised in a long insurance and reinsurance chain it may not be possible to identify where trouble is likely to occur because of a weak link.

The broker is more exposed in dealings with his risk producers. All brokers, to establish themselves in overseas markets, usually form associations with other local brokers or insurance consultancy firms.

These local concerns are likely to have access to significant lines of business and premium, which can be of variable quality. But the local operations can lack the international capabilities of a large broking group to arrange a placement. How reliable the local contact is in the processing of premiums is sometimes open to question.

Then there are the numerous broker-agents. They usually hold cover facilities from several insurance and reinsurance concerns in several markets, fronting for the companies or rather underwriting on their behalf. They are a necessary constituent in the reinsurance world for they can assist in the speedy and flexible placement of risks. Unfortunately, they are typically very small units of operation and their business skills cannot sometimes cope with the complexities involved in large placements. Moreover, the temptation to use the premiums to finance other business ventures can prove irresistible.

As if UK brokers did not have enough trouble on the trading front — with cash difficult to collect and over-capacity pegging premium rates, and with them brokerage — they are earning a large part of their revenues in a weak currency area, the U.S., while incurring their expenses in hard currency sterling.

There are other problems. The U.S. brokers like the well-established international networks of the UK brokers: the UK brokers want to get closer to the U.S. market, which produces around half of the world's insurance premiums. Both U.S. and UK brokers are moving closer to each other to achieve their respective desires. As the deals are struck so the brokers' assets — the men who produce and service the business — are seeking moves to other firms if their aspirations are not fulfilled. With them go accounts or parts of accounts.

## Disrupted

The continuity is disrupted and risks become further fragmented and the insurance and reinsurance chain longer. This is likely to be a contributory factor to the slow movement of cash balances in the London market in the months to come.

Yet more troubles have presented themselves to the broking community. Litigation is on the increase involving an increasing number of brokers. Brokers in the UK do not as a rule disclose the material disputes in which they are involved in their accounts, unlike their U.S. counterparts. Those disputes which have become publicised have attracted speculation, affected share prices of the larger groups in London, and even have an impact on the company's goodwill with some groups suffering an attendant loss of business.

While many of the disputes are a direct consequence of a breakdown in proper communication rather than of deliberate misrepresentation, the disputes in the last year have been characterised by increased acrimony and highly lurid allegations. It must be seen as a reflection of the worsening competitive conditions, the growing complexity of the international reinsurance network and a rapid thinning of technical expertise.

**John Moore**

### MAJOR U.S.-UK LINKS AND PLANNED DEALS

- Marsh and McLennan of the U.S. has bought C. T. Bowring of the UK.
- Alexander and Alexander of the U.S. discussing pooling arrangement with Britain's Sedgwick Group.
- Corroon and Black of the U.S. has acquired a 20 per cent stake in Minet Holdings of the UK.
- Continental Corporation of the U.S. has acquired a 20 per cent holding in Stenhouse Holdings of the UK.
- Frank B. Hall of the U.S. has bought Leslie and Godwin Holdings of the UK, but L and G's Lloyd's interests are controlled by Rothschild Investment Trust with Hall holding a 25 per cent stake.
- Johnson and Higgins of the U.S. and Willis Faber of the UK plan more joint ventures. Both are participating in the development of the New York Insurance Exchange.
- Fred S. James of the U.S. and Alexander Howden of the UK have formed a joint venture company to participate in the development of the New York Insurance Exchange.
- Hogg Robinson Group of the UK and Republic Steel Company of the U.S. to create a joint venture company for "the acquisition of brokerage interests in North America."

# Captive companies come of age

AFTER THE 15 years of controversy which followed the formation of the first offshore captive insurance companies in Bermuda by major multinationals such as Exxon, Mobil Oil and Ford, the "captives" have become an established and in many cases respected part of the international insurance business. Insurers and reinsurers are now thoroughly familiar with the principles on which captives operate and with their parents' motivations for establishing an independent presence in the insurance market.

Insurance brokers who for years had opposed the formation of captives, for fear of losing commissions on some of their best industrial business, now stump up and down America and Europe enlightening benighted industrialists about the advantages of captives, and find the consultancy fees and reinsurance brokerage involved an adequate substitute for the commissions they are losing.

Even bankers are now involved in trying to persuade industrial companies to consider the advantage of captive formation, since captives generate a great deal of banking business. In particular, the proliferation of captives has made Bermuda into one of the world's most important Eurobond markets.

In the past ten years, and particularly after the abrupt tightening of the American insurance market in 1976, industrialists have not required much persuading. During the mid-1970s several hundred new captives were established in Bermuda alone.

But in the past two years there has been a marked decline in the rate of new captive formation. One reason is simply that many — perhaps most — of the American companies which were big enough to profit from captives had already established them. In addition, however, even the most vocal champions of the captive movement admit that the advantages of captive formation are now fewer than they were five months ago.

## Blatant

The advantage that was most stressed in the early days of the captive movement — tax efficiency—is now the least discussed. The days when captives were primarily a device for funnelling pre-tax profits to offshore tax havens under the guise of insurance premiums came to an end in the late 1960s when the U.S. Internal Revenue Service (IRS) caught up with a number of oil companies which had been paying excessive premiums to their captives in a fairly blatant tax-avoidance exercise. But the tax-avoidance stigma has stuck and the IRS is still doing its best to reduce the tax advantages of captives and to treat them in the same way as either foreign commercial subsidiaries or simply as fully-taxed self-insurance funds.

The tax position is still by no means settled after the Carnation case was decided in favour of the IRS in December 1978, but the general atmosphere is sufficiently hostile to make it unlikely that a captive would be set up purely because of its tax advantages over a self-insurance fund or a policy of accepting high deductibles on conventional insurance policies.

The main advantages now claimed for captives have to do with the insurance market itself. A captive enables a company with a well-above-the-average loss probability to avoid subsidising other insureds whose risks are less well protected. It is in the nature of the insurance market to spread risks among insureds and as long as the insureds are paying premiums proportional to the risks which they are facing, this is a wholly beneficial arrangement. The proponents of captives claim, however, that insurance companies systematically fail to assess the true risks which they are covering and tend to overcharge their good risks and undercharge the bad ones.

## Rigorous

Many companies which for years paid out several times more in insurance premiums than they got back through losses have found that establishing a captive to cover small frequent losses has saved substantial sums in insurance costs. If the creation of a captive is accompanied by a rigorous programme of loss control and risk management, the benefits can be much greater.

However, with competition increasing among insurance companies and with rates on many commercial risks falling —especially in America, where liability rates have fallen by as much as 40 per cent during the past year—the potential savings in insurance costs have obviously diminished. This has probably been the main force retarding new captive formation in the past five years. Even if a captive is still financially justifiable for many companies, the benefits may seem inadequate in relation to the management time and organisational upheavals that would be involved.

It is well known that most industrialists have little interest in insurance. It was probably only the unprecedented explosion in insurance costs in 1975-1976 that shook many boards out of their apathy and made them take notice of advice on captive formation coming from their risk manager or insurance broker.

The insurance companies have also taken some of the steam out of the captive movement by responding positively to some of the criticisms of the insurance mechanism put forward by the captive managers. Underwriting has become somewhat more selective and retrospective rating is becoming increasingly widespread in property risks, as well as in liability lines where it is now commonplace.

Insurance companies have become more active in risk management and loss prevention and have shown more willingness to move away from established tariff structures. Large deductibles, with corresponding savings in premiums, are now more easily obtained than in the days before the fashion for captives.

However, the third major benefit of captive formation is still as strong as ever. This is the ability of a captive to go directly to the reinsurance market to buy excess-of-loss cover. Even the larger captives rarely retain more than 10 per cent of the risks they underwrite. Placing the rest with reinsurers is usually much cheaper, and always offers far more scope for innovative underwriting, than simply negotiating a deductible with a direct insurer.

For reinsurers, captives are attractive clients because of the superior loss experience and risk management programmes enjoyed by the risks which the captives carry. The time is long past when established reinsurers shunned captives for fear of alienating the direct insurers who strongly opposed captive formation.

In fact, an increasing number of direct insurance companies are now strengthening their reinsurance departments in order to maintain relationships with former clients who have formed captives. There have even been cases of industrial companies seeking quotations in the London reinsurance market and then demanding, and getting, corresponding rates from their direct insurers without even going to the trouble of forming a captive.

The next major step towards making the captives fully integrated members of the insurance market may be for their reinsurers to offer more "reciprocity" to those captives which are interested in underwriting outside risks. The fashion for assuming outside risks originally owed much to the IRS view that a captive could only qualify as a genuine insurance company if it spread risk between its parent and other, totally unconnected, commercial entities.

## Aggressive

But the recent experience of some of the captives which have been most aggressive in chasing outside business has not been encouraging. Brokers still tend to think of Bermuda as a last stop in their search for underwriting capacity and many of the risks offered to captives have been decidedly substandard.

Given the high quality of their own risks and their growing importance as clients for the reinsurance companies, it is surprising that the captives have not succeeded in persuading reinsurers to retrocede high-quality risks in exchange for the business which the captives offer. So far the captives have concentrated on swapping risks among themselves and forming pools for particular types of risks, but wider kinds of reciprocity and closer contacts with conventional reinsurers are bound to come as the captive movement consolidates itself further.

**Anatole Kaletsky**

# Dealing with the jumbo risk

WHAT DISTINGUISHES a "jumbo" risk from the insurance market's more commonplace exposures? Many insurers believe that there is in fact no difference in principle between covering a $1.5bn North Sea oil platform and a $15,000 family car—or at least a fleet of 100,000 such cars.

It is certainly not the magnitude of the risk alone which creates special problems. The term "jumbo" has been used over the years to dignify such varied risks as oil rigs, nuclear plants, supertankers, pharmaceutical product liability and, of course, the original risks for which the word was coined — Jumbo jets — with insured values ranging from perhaps $20m to the $1.5bn cover on the North Sea's Statfjord A, the world's biggest single exposure.

The most obvious factor common to all these risks is the market's natural suspicion of unfamiliar new technologies. When wide-bodied passenger jets first came into service there were difficulties in marshalling a capacity of $30m for the hull insurance. The insurance market's misgivings about the possibilities of covering such expensive single exposures now look ridiculous, particularly in view of the collapse in aviation rates since the early 1970s. Persistent overcapacity developed in the aviation market when insurers became familiar with jumbo jets and began to recognise the excellent safety record emerging in the loss statistics.

Insurers are always cautious about approaching new types of risk which have not established a track record of losses that can be analysed by actuarial methods. It is in their willingness to take risks on untried propositions that Lloyd's and the London market have always been pre-eminent. Occasionally it has come a cropper, as in the case of computer leasing insurance, a field of new technology risk which underwriters seems to have entered with only the minimum of technical knowledge.

However, talk about the special difficulties created by jumbo risks is not just the market's way of disguising its reluctance to approach the unfamiliar and to acquire the technical knowledge which non-actuarial risk analysis requires. There is a more fundamental factor which makes jumbo risks particularly hard to manage—the combination of very low frequency of losses with very high peak exposure.

For most normal risks the insurance mechanism functions mainly by spreading losses among large numbers of individuals in any given period. Jumbo risks, however, require insurers to spread losses over time rather than among individuals. The particular feature of the offshore insurance market, for example, that has most worried observers is the total imbalance between insured values and the market's total premium income.

A total loss on Statfjord A would be impossible to spread among the offshore market's customers since the annual premium volume in this market is less than $300m. Thus it would take five years for the market to generate enough premiums to cover the loss of a single installation.

Of course rates would no doubt rise dramatically after such a catastrophe. But the very fact that rates are sensitive to a particular year's loss experience in the jumbo markets, suggests that these are risks for which the insurance mechanism works imperfectly. The whole point of insurance, and particularly of reinsurance, is to accumulate reserves over many good years which are sufficient to meet the losses in the few bad years. In an ideal world, the occasional disasters would not affect rate setting, unless they suggested that a new trend was developing.

In reality, however, insurers often have only a few years' experience on which to base their ratings, and if there are no more than a few hundred insured risks, as in the offshore market, or if the cycle of loss activity stretches over centuries, as some experts claim it does for earthquakes, it is extremely unlikely that rate-makers will be able to hit on a rate which exactly reflects the loss probabilities.

To make matters worse, the jumbo markets offer irresistible temptation to the gamblers in the insurance community. If the probability of a serious loss in any particular year is very low, then the profits which can be made by charging a premium and then under-reserving for future years are very substantial.

## Substantial

In theory, a re-insurance company which was set up to specialise in excess-of-loss earthquake, offshore or nuclear insurance and went into voluntary liquidation after one year would be very likely to show a substantial return to its founders, since the chances are that it would not have had to pay out on a single loss during the period of its existence.

Even for less unscrupulous insurers, the main attraction of low-frequency excess-of-loss re-insurance for jumbo risks is still the same: the massive reserves which any prudent insurer entering these fields must build up to spread losses from one year to another generate plenty of investment income. Unlike the loss reserves which produce large investment profits in the more common types of long-tail liability business, these "catastrophe reserves" have the further advantage of legally belonging to the re-insurance company's shareholders rather than to the policyholders.

The degree to which rating is influenced by single occurrences was illustrated this year in the offshore market. A decline in rates was widely expected this year, as a result of increased competition between the dominant London market, the four American offshore pools and the oil industry's captive companies.

However, the collapse of the Alexander Kielland accommodation rig in March was a sufficient psychological blow to deter aggressive rate-cutting by new competitors in this market, although the financial losses from the Kielland disaster were relatively minor. Offshore rates this year are as high as last year's despite the growth of capacity and the reduction in the offshore industry's hitherto explosive growth rate.

In the U.S., household insurers have become considerably more cautious in offering earthquake insurance following the repeated eruptions of Mt. St. Helen's in America's Washington State and last year's serious earth tremors in California.

There is now more talk in insurance circles about the dangers of accumulation of earthquake risks in millions of seemingly innocuous property damage policies. Naturally reinsurers, who bear most of the accumulation risks, are most worried about the apparent increase in seismic activity on the West Coast of America.

If such predictions proved right, earthquake reinsurance could become the jumbo market *par excellence*. The UNESCO Working Group for Earthquake Risks has estimated that an earthquake in Los Angeles or San Francisco on the scale of 1906 would today cause property damage of $50bn, even without the fire that accompanied the 1906 disaster. A 1923-scale earthquake in Tokyo could cause $250bn-worth of damage.

Reinsurers are now trying harder than ever to unravel the accumulation of such risks in the many different lines of insurance and treaties which they accept and to impose an awareness of such risks on direct insurers.

However, if earthquake insurance becomes a more significant item in American household and commercial property damage policies, the reserves accumulated by reinsurers for this contingency will also grow very substantially. Between 1929 and 1968 Californian earthquake insurers collected 30 times as much money in premiums as they paid out in claims, despite the fact that their rates sank to what are now regarded as highly imprudent levels.

Yet in the event of an earthquake it would only be the premiums and reserves collected on other lines of insurance that would protect many reinsurers from going under. This gives a measure of the difficulties and temptations of low-frequency high-risk jumbo reinsurance.

**Anatole Kaletsky**





# Conflict over supervision

THE RAPID growth of the world's reinsurance capacity is focussing increasing attention on the capital adequacy of the sector. Insurance brokers are paying a lot more attention to the security of the companies with which they place business. The days when the underwriter sat in his office and relied on others to assess the business risks are gone for ever.

The problem lies in the quality of financial information about particular reinsurance companies. And the question is whether the security aspects of the business should be subject to closer supervision by national or supra-national agencies, or whether the best course is to leave the companies to look after themselves as they do at present—by supplementing the financial data with close and frequent personal contacts in the various insurance markets.

The UK is steering its own course in this area. New legislation will be introduced in Parliament shortly to bring up to date the methods by which reinsurers active in the UK are monitored by the Department of Trade. But in most other countries in the European Community the authorities do not concern themselves directly with the supervision of reinsurers. And although it has long been argued that there is a need for a common approach to reinsurance being adopted by regulators around the world, there is no sign of such a development in the foreseeable future.

In theory, it is generally accepted that a reinsurance company requires broadly the same balance-sheet ratios and solvency margin as a direct insurer. This is, for instance, the basis of the pending changes in the UK. The difficulty comes in deciding what the numbers mean in particular cases.

## Delays

First, the average settlement delays for reinsured claims are likely to be longer than for the total claims on an original portfolio. Reinsurers are likely to be involved in larger claims, which often take longer to settle than small ones. There can also be long delays in reporting claims. One example has been cited where a fifth of potential claims had still not been reported to the motor excess-of-loss reinsurer some three and a-half years after their occurrence.

So key questions which are very often difficult to assess from published financial data concern the basis on which a company has calculated its reserves, and the extent to which its portfolio is spread over different classes of risk. The competence of the ceding insurer is another vital issue which can sometimes only be resolved through personal contacts and so, in some cases, is the extent to which the company has laid off its risks with other reinsurers.

Another problem lies in the extent to which accounting standards for insurance companies — where they exist — differ widely in various parts of the world. And relatively few reinsurers are quoted directly on their local stock market, and thereby subjected to stock exchange disclosure requirements.

It is possible, however, to overstate the potential security hazards. It is probable that a number of companies on the margin would have difficulty in withstanding a major catastrophe or two. Yet the growing involvement of heavyweight general insurance businesses—and other financial institutions — in the reinsurance sector gives a comfortably solid backing to the overall capital base. And the fact is that the present informal network of personal contacts in what remains a relatively small community of international reinsurers does seem to produce results. The past decade has been an uncomfortable period for the world's insurance industry, yet there have been very few major financial problems among individual reinsurers.

In the UK, the Department of Trade has not really had any serious problems to cope with in this area, and it seems confident of its ability to monitor the worldwide reinsurance activities of those companies carrying on business in the UK.

Its responsibilities here are about to change as a result of the coming legislation. The prime purpose of the Insurance Companies Act 1981 will be to implement the second EEC establishment directive covering life companies. But the plan is to take advantage of the introduction of this primary legislation to tag in a few other measures. One such proposal will be to apply the EEC directive régime to all companies — not just those where there is a Community obligation to introduce changes (that is, the direct insurers) but also to the reinsurance companies.

There are in fact no Community obligations applying to reinsurers other than a requirement that they should not be subjected to discrimination.

At present the required solvency margin of a reinsurer in the UK is roughly 10 per cent of premium income, as it was with direct insurers until changes which were made in 1977 to comply with the EEC directive. Now, reinsurers are again going to be judged on the same basis as insurers, under a rather more complicated formula which takes into account a company's recent claims experience as well as its different classes of business.

## Modified

This will lead overall to a rather more stringent solvency requirement, and in addition the minimum capital base which is required for every reinsurance company is going to be bumped up from the present figure of £100,000. The EEC régime will, however, be modified in its application to life reinsurers, to make greater allowance for the extent to which they reinsure their own liabilities.

It is not expected that any company will have much difficulty in meeting the new requirements, which in most respects appear likely to be welcomed by the reinsurance community. As one would expect, not everyone is happy about all the details. For instance, the maximum credit for reinsurance which is allowable in the solvency calculations is to be 50 per cent — a ratio which, it is said, will discriminate against new companies. But the authorities seem to think that it is a fairly generous margin, and over the longer term they would like to see companies retaining a much higher proportion of their liabilities on their books than this.

In theory, at least, some UK reinsurers would like to see similar controls extended over the rest of Europe. One good reason for this is the fact that in some EEC territories insurance supervisors do not make any allowance for reinsurance in calculating the reserves of a direct insurer. The result can be that a ceding company in such a country will require the reinsurer to hand over deposits in order to help it meet its reserve requirements. The interest paid on such withheld reserves is often inadequate, and although the reinsurer may need the funds to meet its obligations, they are actually controlled by the ceding company.

Yet it seems highly unlikely that the rest of the Community will be willing to change accustomed practices in order to suit the UK companies. And in more general terms, there does not seem to be much political enthusiasm for improving international standards of supervision in the reinsurance industry. Insurers deal directly with the voting public, but reinsurers deal mainly with fellow professionals. The feeling is that they should be able to take care of themselves.

**Richard Lambert**

# Changes in Overseas Product Liability

**Foreign countries are moving toward standards of product liability making manufacturers and distributors more strictly accountable for product defects—a trend which has resulted in increased awards against U.S. companies with export markets.**

**A brief review by INA of an insurance topic of interest to business executives.**

The liability of manufacturers, wholesalers and exporters for defects involving the safety of their products has traditionally been much more restricted abroad than it is in the United States.

In part this is due to differences in social and economic conditions. For example, the consumer movement is less advanced in nearly all foreign countries than it is here. Conservative legal systems and precedents are also important—including such factors as the relative infrequency of jury trials, the lack of a contingent fee system and limited recognition of liability for pain and suffering.

There is, however, ample evidence of a worldwide trend toward making manufacturers and distributors more accountable for the goods they put on the market. The traditional doctrine of *caveat emptor* – let the buyer beware – is crumbling under the recognition that mass production can result in products which in use prove defective and cause injuries. More and more societies find it neither socially acceptable nor economically necessary to place the major burden on the injured party.

The upheaval in product liability abroad has taken several forms. For one thing, growing awareness of the lucrative awards possible in the United States has led to more foreign plaintiffs initiating suits against American firms in American courts. In foreign courts, too, liability actions against U.S. firms are on the rise and the awards decreed are increasing in size.

Most important of all, there is an organized movement in Europe toward the "strict liability" concept of product liability which generally prevails now in the United States.

### Strict accountability

A proposed international agreement, sponsored by the nine-nation European Community (the Common Market), is bringing strict liability closer to reality – in fact, in varying degrees, it is already law in some European nations. As one observer has put it, by 1985 or even earlier, Europe may have "the toughest product liability laws in the world."

Strict liability provides, in effect, that the producer of an article shall be liable for damage caused by a defect in the article – whether or not he knew or could have known of the defect. This liability holds good even if the article could not have been regarded as defective in the light of technological and scientific knowledge at the time the product was marketed. There are some extenuating circumstances, such as unwarranted alteration of the product by a user.

In short, under strict liability, a plaintiff need no longer prove that a manufacturer was negligent—only that the product was defective and that the defect was the cause of the injury or damage.

### Protection at U.S. levels

For a company with overseas markets, these developments intensify the need for a uniform program of international insurance protection.

In individual foreign countries, a base of local insurance in accordance with local laws is necessary. But because these local coverages can vary widely, they should be supplemented with a U.S.-written "difference in conditions" master policy that adjusts all coverages abroad to the U.S. standard of protection level.

Beyond insurance itself, loss control becomes even more important as exposures rise abroad, since product liability claims are often preventable. In addition to loss control measures applying to products generally – such as design analysis and quality control – there are special considerations with products for export. Particularly important are supporting materials and technical services.

Advertising and sales promotion literature prepared overseas should be reviewed to eliminate excessive promises or implied warranties. Warnings and instructions for use should be translated into local languages clearly and with regard to local conditions. Technical support and record-keeping abroad should measure up to U.S. standards. Efficient handling of such factors can reduce both accident claims and insurance premiums.

INA's product loss control program has assisted many clients insured through INA International in preventing accidents. And ESIS, an INA Corporation company, offers the same services to self-insured clients.

Recognizing and meeting complex needs, such as those of business for product liability protection, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

### Comprehensive services

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

For further information, write: INA International Corp., Pacific Marketing Area, 841 Bishop Street, Honolulu, Hawaii 96813, U.S.A.; or, INA International Corp., 1600 Arch Street, Philadelphia, PA 19101, U.S.A.

*A corporate foreign policy*

Manufacturers with export markers can obtain a "worldwide products endorsement" on their domestic product liability policy to protect their overseas exposures.

This endorsement protects only against foreign suits brought in U.S. courts—not those brought in foreign courts. Moreover, while product liability rates for export coverage may be much lower than domestic rates, the foreign coverage provided by endorsement to a domestic policy is usually added at the higher U.S. rates.

Purchase of a separate foreign policy through a company such as INA International can mean premium savings together with more comprehensive protection.

INA

The Professionals

# INTERNATIONAL REINSURANCE VI

**LIFE BUSINESS** **On this page Eric Short discusses the involvement of the life offices in reinsurance, with particular reference to the extent new life companies need support from this sector.**

## Smoothing out the death claims

TRANSACTING life business is an operation very much different from running a general business portfolio and this applies as much to reinsurance as to direct business.

The vast majority of business written these days by life companies relates to savings contracts. In determining the premium rates the life company actuary has to take three major elements into account—interest on investments, the expenses of securing and maintaining the business and the mortality of the policyholders. In savings business, the mortality element is now very much a minor consideration. A ¼ per cent change in the interest rate is much more significant than a worsening in the mortality experience.

Today's world is a long way from the days of the plague and other mass killer epidemics. Mortality rates in the UK and the U.S. change slowly and the trend is an improving one.

Nevertheless, life companies still transact a steady amount of pure protection term assurance business, some of the contracts being for quite high amounts by life assurance standards running into millions of pounds. And the principle of spreading risks applies as equally to life insurance as to non-life.

### Individual

A direct writing life company will decide on how much of each risk it will retain on each life on offer—say up to the first £100,000—and the rest of the risk will be reinsured, usually with one reinsurer. A major life company will use more than one reinsurer for its overall reinsurance, but individual reinsurance is placed with one company and not spread.

Most major life companies have large enough reserves to stand the cost of a few major life claims. But this would lead to violent fluctuations from year to year in the amount paid out on death claims. Reinsurance enables these fluctuations to be considerably smoothed out.

Direct life business has been expanding in the UK more or less in line with inflation. Life reinsurance business at present is rising faster than direct business, illustrating the concern of life companies to avoid violent fluctuations in death claim payments.

In addition, life reinsurance is cheaper in both the UK and the U.S., with competition between the reinsurers extremely keen. Each company in the scramble for business, has cut margins to the bone in order to keep its share of the market. Although there are no published figures for the life reinsurance industry, unofficial sources put profitability very low in the UK—a very small percentage of turnover. This is certainly the case in the U.S., where figures are much more readily available.

The problems facing the actuary of a life reinsurance company are quite different from those facing actuaries in life companies. The need to get the mortality rates right still remains paramount and the reinsurance actuary faces problems that the direct actuary does not.

In writing direct business the actuary only adjusts his mortality rates for the source of business on minority of readily identifiable cases. He quotes lower rates for females; he rates for hazardous occupations or medical impairments. But otherwise he uses the same mortality table for his business.

The reinsurance actuary, in contrast, has to look very closely at his sources of business—that is, from which life company the business originates. The mortality experience of life companies is monitored by the Continuous Mortality Investigation (CMI) Committee. Its findings show that there is a wide differential in the mortality rates of various life companies, reflecting both the social classes from which their business originates and the underwriting standards used.

All this is taken into account by the reinsurance actuary. For example, on business from one life company he uses only 80 per cent of standard mortality rates, while on business from another he uses 110 per cent. Since the CMI Committee keeps its findings on differences between life companies strictly confidential, the reinsurance actuary has to rate on his company's own experience.

Since such decisions are subject to individual actuaries, there is scope for rate differences. The old-established life companies tend to remain loyal to their reinsurers. But the newer companies are more aggressive in shopping round for the most competitive rates. Yet there is little sign of life reinsurers actively seeking premium income to the detriment of underwriting. The reinsurance actuary takes the investment return straight into his premium calculations.

Where a major life risk is concerned, the direct life companies do not have to go round placing the re-insurance, as happens with non-life business. The whole of the risk is reinsured with one reinsurance company and the latter places the excess risk above its retention limit with other reinsurers. In addition, although these major life risks come mainly through the broker market, the insurance broker is rarely if ever involved in placing the reinsurance risk. This remains the function of the life company—another contrast to general reinsurance.

One major development in recent decades is the influence of the reinsurance companies on the underwriting of life companies where sub-standard lives especially are concerned. These are lives with some medical impairment, or history of medical impairment, so that the life company would not accept the individual or would only accept him on higher than normal rates.

### Guidance

The reinsurance companies, because of their wider pool of experience, are in a better position to give guidance on how such lives should be rated and by offering reinsurance facilities enable life companies to take on their books risks that otherwise they would be reluctant to do.

By pooling such results, life companies can now offer terms to diabetics, persons with high blood pressure and persons suffering from coronary heart diseases.

It has now become accepted that if there are enough lives in the "pool," so that the mortality experience for that pool can be averaged out, then almost anyone not on his deathbed can be offered terms for life cover. The problem is that with some impairments there are not sufficient lives to form a pool. The life companies themselves have followed the lead of reinsurers and progressively relaxed their underwriting requirements.

Indeed some life companies, whose premium rates are not competitive, have tended to boost sales by actively seeking savings - orientated contracts from sub-standard lives. The company then reinsures the mortality risk, while keeping the profit from investment, and tends to shop round to find the best reinsurance rates.

The reinsurance companies have also taken the lead in assessing the rating for lives engaged in hazardous occupations such as North Sea divers, or sports such as hang gliding. In such cases, with a comparatively new risk, the reinsurance company can more quickly form a judgment on the higher risk involved and the consequent extra premium needed.

Life companies from time to time also reinsure their annuity business, but for reasons quite different from those applying to life business. A life company pays tax on its general annuity fund if its investment income on the fund exceeds the amount paid out on annuities. This affects the annuity rate calculation of the life company actuary.

So if the annuity fund of a company runs into a taxpaying situation, it seeks a reinsurer whose annuity fund is in a strong position so that it can accept more annuity business without altering its tax-free position. Then the life company reinsures enough business to put its fund into a position of not paying tax. The terms on which the reinsurance is placed are the subject of some gentlemanly bargaining.

## Essential support for the newcomers

LIFE ASSURANCE in the UK is still booming, and as yet has not been hit by the economic recession. All life companies are sharing in this growth, including those set up in the early 1970s—the heyday of the linked life bond and the guaranteed income bond. But many of those newly formed life companies would not be able to take on this additional new business but for the backing and support given by the major life reinsurance companies.

It is very expensive to acquire new life business, especially regular premium contracts. Commission has to be paid to the intermediary, while the costs of running the supporting staff and meeting all other bills are heavy. For newly formed life companies, there is the additional burden of setting up a field force and head office staff.

In addition, newly formed life companies do not have the reserves necessary to support expansion of business such as the long-established life companies possess. So it is essential that a new life company has adequate capital backing to cope with the strains of securing new business and meeting possible adverse mortality experience.

### Monitors

This would seem self-evident, yet surprisingly many life companies set out with very limited capital resources. And now the Department of Trade, having learnt from previous mistakes, monitors closely the activities of new life companies to ensure they have adequate capital backing for its new business commitments. These companies have to submit regularly details of their new business plans and cannot exceed those plans without DoT approval.

How can the life reinsurance company help the newly formed life companies in coping with their capital problems? It does so by accepting 50 per cent of each contract sold as reinsurance, paying a high commission to the life company for that part of the business ceded to it. Reinsurance companies are able to do this and still accept the business on economical terms because their unit costs of accepting such business are very low.

Thus a life company getting the business can pay the reinsurance company half the premium for reinsuring 50 per cent of each contract and receive in return a commission payment that will cover most of the commission paid to the agent who first introduced the business.

This type of life reinsurance is technically known as financing the expense strain of the life company. It enables the life company to expand its new business prediction without having to find the additional capital that the DoT would otherwise require. For the reinsurance company it enables it to become involved in the operations of the life company, participating in its profits but without having to put up any equity capital.

This method of indirect capital backing of life companies by reinsurers has the approval of the DoT as an effective means of supporting life company operations. It provides flexibility in operations that increasing the capital base by orthodox means would not provide. A life company can accept new business faster than originally planned, without having to wait for the additional capital to be raised.

But there can be problems, as some reinsurance companies discovered when Fidelity Life ran into trouble a few years ago.

The use of reinsurance to finance the expense strain can also enable life companies to offer investors a ¼ per cent higher yield on certain types of contract than would otherwise be possible. And life insurance in the UK is highly competitive for certain types of plan such as guaranteed income bonds.

The operations of reinsurance companies in financing the new business of life companies has caused some unease among certain quarters of the life assurance industry. It is felt that it should complement and not be a substitute for adequate permanent capital backing for life companies. But opinions vary on what should be the level of permanent capital for a given level of business.

But although financing is the main area of help by reinsurers to new life companies, there are other areas in which assistance can be provided. Reinsurance companies can materially assist in their traditional role of easing the mortality strain of life companies. This is even more vital for newly formed companies.

### Vulnerable

A new life company, in the absence of any large reserve fund, is more vulnerable to adverse mortality experience than a long-established life company. It cannot carry large individual risks itself and reassurance is paramount. The new life company will almost certainly have to adopt much lower retention limits than a long-established company.

Indeed for some newly formed life companies the amount of death risk they are prepared to carry themselves can be as low as £5,000, whereas many established life companies will carry £100,000. The view adopted by these new life companies is that there is relatively little profit to be made from mortality so why bother to carry the risk.

The newly formed companies tend to be staffed by market-orientated personnel with very little experience in life underwriting. Here the reinsurance company can very much help the life company on almost all aspects of underwriting—from advising on what medical evidence is required to actually rating the contract.

With such low retention limits the reinsurers are virtually underwriting every contract received by the life company. This situation in general suits the life companies. The reinsurance company has vast experience in underwriting and can do the job easily and relatively cheaply. The life company would have to buy in the necessary expertise, and the life company is prepared to wait until it has built up funds of a reasonable size.

The approach has the great merit of avoiding duplication, a feature that is common in underwriting of life contracts reinsured by a well-established life company.

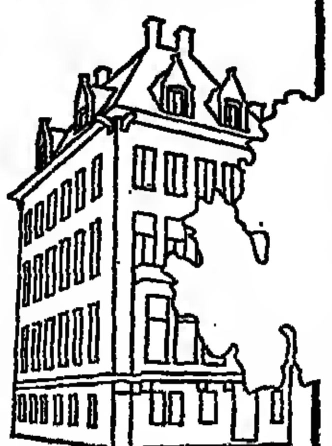
The reinsurance facility provided to newly formed life companies can be related not only to the size of risk on each individual contract, but to the overall mortality risk of the total life business. The life company can limit this risk to a reasonable figure and reinsure everything above.

Finally, some reinsurance companies consider it part of their service to client companies to be actively involved in their operations right from conception. The reinsurers regard these new companies as providing much of the future growth in business, rather than the established companies. So they feel that it is in their long-term interests to foster the sound development of new life companies.

So reinsurance companies will be actively engaged in helping clients to design products, calculate premium rates, assist in the marketing of the products. Having been involved in this process for more than a decade, the reinsurance companies have acquired considerable expertise in advising embryo life companies in aspects of management and financial control.

This reinsurance company have moved well beyond the original function of simply spreading the risk involved in writing life business. The activities in helping establish new life companies right from outset should ensure that these new companies operate on sound financial lines.









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# Sad days for the big Continental groups

EUROPEAN reinsurers will prefer to forget 1980. Widespread surplus capacity has forced them to trim their rates and for most companies has produced substantial technical losses. At the same time the cushion of investment income is being slowly deflated as international interest rates fall.

Recent figures from the world's largest reinsurer, Munich Re, tell the sorry tale. Premium income rose by around 12 per cent to DM 7bn (£1.63bn) in the year to June 30, 1980, but significant losses were recorded in several areas of business, particularly within West Germany.

The domestic problems of Munich Re, which generates around 60 per cent of its premium income from the West German market, are shared by other major groups which depend extensively on a local base. The State-owned French group Societe Commerciale de Reassurance (SCOR) receives about a quarter of its nonlife business from within France and another 43 per cent from the rest of Europe. The pre-tax profits of the parent company dropped from FFr 57.7m (£5.7m) in 1978 to FFr 32.2m in 1979 and the dividend was cut from 5 per cent to 3 per cent.

Like Munich Re, SCOR was able to increase its turnover (by 10 per cent) but competition within the European area caused a drop in profits. The surplus capacity makes it extremely difficult for the dominant companies, such as Munich Re and Switzerland's Swiss Re, to force an increase in premium rates.

## Fearful

For Munich Re, the heaviest competition is being felt in the main industrial fire classes where, according to the company, rates in Germany are the lowest in the Western world. The company made substantial losses in this business last year despite the absence of any major disaster, but is clearly fearful that any move to push up rates would let the competition pick up some of its traditional business.

There is none the less a feeling among the larger European reinsurers that the cycle must be near its trough. Some say that they would welcome a spectacular catastrophe in order to clear some of the "uninformed capacity" out of the market. Others believe, however, that the point has already been reached where a move to improve returns by the major groups would be welcomed and followed by the smaller, and newer, competitors.

As one European reinsurance executive expresses it: "All the other professional reinsurers would be happy to step on the band-wagon of establishing new price levels." The fear among the pessimists is that the new competition is better placed to sustain the current pressure.

As newcomers they are less rapidly exposed to the consequences of inflation on their outstanding claims and overall expenses. They can also take immediate advantage of the high interest rates on their investments, whereas the older companies are sitting on an investment portfolio containing a significant proportion of low-interest bonds.

Local accounting procedures can create significant apparent differences between the investment performance of individual groups. French reinsurance companies, for example, provide for a full depreciation in stock holdings without any compensation for any increases in others. SCOR last year showed a debit of FFr 19.4m on the depreciation of securities despite a net appreciation of FFr 51m in the overall portfolio.

Munich Re has a published balance sheet total of DM11.1bn but its investments (amounting to DM 6.4bn) are not entered at anything like their market value, with the result that the company's reserves are significantly understated. Swiss Re is in a similar position with a large hidden surplus resulting from the difference between the market and book values of investments.

The major European companies may be obliged to revise their accounting procedures if the EEC regulations on solvency margins are extended to the reinsurance business. Some companies at least would probably be unable to meet the requirements under their current accounting procedures.

The groups which come through 1980 least battered by the continuing rate war will almost certainly be those with the most diversified international presence. Swiss Re, only slightly smaller than Munich Re in terms of premium income, is a force in the international reinsurance market second only to Lloyd's.

The constraints of its fairly modest domestic market have forced it to take a highly international stance. At the same time it continues to derive around 30 per cent of its premiums from Switzerland and Germany, where it operates directly and through its subsidiary, Bavarian Reinsurance. The company is highly active in the U.S., where it owns the third largest reinsurer, North American Reinsurance Corp. Its other major subsidiaries include Swiss Re (UK) and operations in Canada, Australia and South Africa. Finally, it operates extensively in developing countries where the London market has often only a slim presence.

This spread of interests has created problems for Swiss Re as a result of the continuous appreciation of the Swiss franc. It derives about 22 per cent of its premium income from America and another 13 per cent from Africa and Australia, but these percentages can only be maintained or increased in Swiss franc terms by continuous expansion in these markets. Munich Re, with a smaller international presence, calculates that its turnover would have been DM 700m higher over the past three or four years but for the appreciation of the Deutsche Mark.

Last year, however, the broad diversification worked to Swiss Re's advantage. The appreciation of the Swiss franc slowed and the U.S. market proved a more remunerative area than Europe. The company has not yet published detailed figures for the year to June last but has indicated that the absence of currency translation losses contributed strongly to a 10 per cent turnover increase.

Munich Re reported that whereas European and domestic operations showed higher losses than in the previous year, the profits from overseas improved. Much of that is attributable to North America.

## Balance

North America has been the main focus for expansion among the European companies in the past few years and this is a trend which looks set to continue. In part the growth derived from the fall of the dollar, which encouraged groups to expand their business across the Atlantic in order to maintain the balance of risk in their portfolio.

At the same time European operators acknowledged that the U.S. was potentially a highly profitable area, even though the danger of natural disaster and other jumbo claims was greater. The example of General Re, which has based its impressive record almost exclusively on North American reinsurance, served as an illuminating example to the European competition. The fact that the U.S. insurance cycle moves differently from European cycles was an added argument for increasing the U.S. presence.

Most important, however, is the fact that the U.S. provides around 50 per cent of the world's reinsurance premiums.

European companies recognise that to obtain a proper portfolio balance they should attempt to push up their business on the other side of the Atlantic to something approaching that figure. Even Swiss Re derives less than a quarter of its premiums from the area.

Dutch companies have been particularly active in expanding their North American operations. The three principal groups — Nationale Nederlanden, Amev and Ennia—have all been buying into the direct U.S. insurance market, with an emphasis on life business. Few Dutch groups are active directly in the reinsurance markets. Apart from Ennia Re, the main companies are independent of the majors: Irema, which is owned by Gonda Insurance, and Atlantica, a subsidiary of AMFAS.

Much the largest Dutch reinsurer is Netherlands Reinsurance Group (NRG) in which Nationale Nederlanden holds a 51 per cent stake. Significantly, NRG has already established a syndicate of the newly formed New York Insurance Exchange. The group's vice-chairman, Mr. K. M. Dublon, says the move is in part defensive but it gives an indication of the aggressive Dutch approach to the U.S.

The number of European reinsurance companies in the U.S. has been multiplying. SCOR, for example, set up a wholly owned life company in 1978 and last year it opened South West International Reinsurance Company, a venture in which it holds a 49 per cent stake. The establishment of a joint venture with a local U.S. company has attractions for European operators. It provides an easy entry into the U.S. market and can enable a group to avoid some of the pitfalls into which foreign competition can drop. Even such an experienced group as Swiss Re encountered management difficulties in the U.S. during the mid-1970s.

Those companies with an extensive foreign presence try to match their assets and liabilities according to currency exposure. Swiss Re, for example, keeps 36 per cent of its investments in Swiss francs, 38 per cent in other European currencies, 22 per cent in U.S. and Canadian dollars and the remaining 4 per cent in the yen and in Australian dollars. This largely corresponds to the breakdown of its risk liability.

## Limited

Equally, most larger companies have only a limited exposure to the equity market. SCOR keeps only FFr 4.6m in shares, compared with FFr 36.3m in short-term deposits and FFr 98.2m in fixed-interest securities and loans. NRG has no equity investments whatever. An exception is Swiss Re which, at market values, keeps roughly a fifth of its portfolio in shares.

In addition to the specialist reinsurers, several large European insurance groups are active in the market, though they are often reluctant to break down their reinsurance activities. Scandia, the Swedish company, has a strong presence but with the exception of its U.S. operation Scandia Re does the business in-house.

Together, the Continental reinsurers form a third large bloc, ranking with the London and U.S. operators. Unlike London companies, however, they lack a significant domestic market and must make their presence felt in all the world's main reinsurance centres. As such, their performance serves as a barometer of trends in international reinsurance generally.

**John Makinson**

# Underwriting agencies' role

ARE underwriting agencies more trouble than they are worth? After the experience of the past two or three years many international insurance and reinsurance groups which have used these agencies to secure business are beginning to think that they are, and are rearranging their overseas underwriting operations.

Underwriting agencies acting on behalf of other insurance and reinsurance companies have formed an important sector in the London reinsurance community, accounting for around two-thirds of the non-marine reinsurance company market business and a similarly high proportion in the marine market. Many of the new companies that have come into the London reinsurance market in recent years have arrived via an agency.

In other international markets the use of agency companies has often proved the most expedient way for reinsurance groups to establish a presence in local markets.

Absence of a local office with powers to accept business can often act as a severe constraint on the ability of reinsurance groups to compete effectively. But the establishment of a local office with full underwriting powers can be both expensive and precarious.

Skilled and responsible underwriters who possess an intimate knowledge of the local market are often hard to come by and unless high-calibre talent is recruited the overseas reinsurer could face an uneasy time.

The overseas insurance groups seeking a participation in local markets often include a large number of direct companies who are attempting to broaden geographically their portfolio of business, reducing their dependence on home markets and occasionally providing a currency hedge. Their experience in using underwriting agents has been mixed, to say the least.

In London, many of the underwriting agency companies are usually the subsidiaries of insurance brokers, the buyers of insurance business on behalf of clients.

The terms on which an agency operates for a principal varies widely. It can be confined to limiting agents to write business on an agreed line, maintaining close contact with the principal insurance company. The type of business accepted and the premiums and terms imposed are thus strictly defined. In other cases the agent may have very wide powers of attorney to act for the insurance company, giving him considerable flexibility as to how he operates and uses his business judgment on the risks accepted.

Remuneration of agents takes two basic forms. An agent may receive an agreed percentage of the account income—effectively an overriding commission. This gives him an incentive to write as much business as possible.

## Incentive

Under another arrangement the agent may receive remuneration on an agreed cost basis plus a commission on profits. The agreed costs will meet the agent's expenses of operation, while the profit commission, which is based on the underwriting results, provides the incentive to the agent to accept quality business and operate a balanced portfolio.

For a number of reinsurance groups the London agency operations have proved unsatisfactory. Many underwriting agency companies are part of large publicly quoted Lloyd's insurance brokers. As with their Lloyd's underwriting interests the brokers have a glaring conflict of interest in their association with company underwriting.

The agency companies are not risk-bearing. They accept the business on behalf of principals, administer the portfolio, which includes the collection of premiums and other balances from ceding offices, maintaining the funds to cover technical reserves, and paying claims.

Brokers who own agency companies have a number of additional sources of revenue available to them. If they act as both direct and reinsurance broker they can collect commissions twice over. But if they pass that business on to their agency company then they can earn further revenue, particularly if the remuneration is based on volume rather than performance.

The brokers, of course, bear none of the risks. It is not surprising that the underwriting experience of companies using broker-owned agencies has been patchy, if not disastrous. In the last year or so there have been a number of tactical withdrawals by principals from underwriting agency companies. The public reason given is that the overseas reinsurance groups were of a size to consider alternative underwriting arrangements. Privately, the scene has been littered by acrimonious rows, a breakdown of trust and goodwill which has subsequently erupted in a tangle of legal disputes.

Elsewhere in London the scene in the agency market is not much brighter. In the last few years there has appeared a number of consultancy firms who operate in the fringe market. Essentially they operate as very small units providing both broking and underwriting services. They also act as insurance groups in their own right, having gained insurance or reinsurance facilities through covers or binding authorities from other companies based overseas.

The services offered are sometimes of questionable value and the practitioners are not always the most responsible members of the international insurance community. Inevitably, the fusion of services which they provide has produced legal nightmares when insurance disputes have reached the courts. It has sometimes proved difficult to establish the identity of the ultimate principal for whom these groups have been acting, or their ultimate responsibilities and liabilities. The problem is made more complex if premiums have been shunted between various companies that the particular insurance specialist may own or have a direct equity interest.

## Distance

Overseas, in areas such as Australia, the problem is possibly even worse. Small brokers and consultants have often "fronted" for companies in the Far East markets and other insurance markets. The distance between them and their principals has meant that the pincipal company has experienced some difficulty in monitoring premium flow in that local market.

Like all intermediaries the locally based broker and consultant has put the premiums to work on his own account to secure investment income. In a market which is not exactly over-supervised some of the smaller intermediaries and agencies have not behaved in the most businesslike fashion.

Premiums have on occasion been invested unwisely, to fund perhaps other business ventures, making recovery by the ultimate risk carrier, virtually impossible. Moreover, those international brokers who have so to develop their own expertise in local markets by acquiring small broking and consultancy firms can find that they have acquired large amounts of liabilities in the form of unpaid premiums to other insurance groups. They face large and unexpected bills.

**John Moore**

**DEVELOPMENTS IN THE U.S. On this and the following page David Lascelles of our New York staff reviews events in America, the world's biggest insurance—and reinsurance—market.**

# Muted opening to N.Y. Exchange

TO SAY that the New York Insurance Exchange has been something of a disappointment might seem a fair judgment in the light of the relatively small volume of business that has been done there—about $13.5m up to the end of July. Moreover, any visitor to the trading floor located in a corner building just north of Wall Street cannot help being struck by the distinct lack of bustle—indeed humankind—in the pale wooden booths.

On the oter hand, this kind of judgment could equally be described as premature given that the Exchange has been open less than six months, that its main source of business—reinsurance—is going through the doldrums worldwide. Some crucial regulations will also have to be sorted out before the venture can be described as fully-fledged.

Mr. Donald Reutershan, the Exchange's *president*, admits: "Business has been less than we'd like. But it is not had in view of market conditions."

Certainly there is no question of the Exchange's imminent demise. Insurance companies may not actually be doing an enormous ammount of business there. But most mebers claim to be in it for the long haul, and not just forshort-term gains. In addition, the cost of being a member is comparatively small, so expense is hardly likely to be a consideration in any decision to pull out at this stage.

The Exchange formally opened on March 31 on a cold rainy day that did not seem to augur well for New York's answer to Lloyd's of London. But the project had been so long in the making, and the determination at both a political and business level so strong to see it work, that the occasion was rich in hope.

The Exchange was born out of a twin desire to provide a market for insurance that was largely free from regulatory shackles, and to try and recoup a portion of the U.S. insurance business that currently goes straight out of the country to Lloyds. It is authorised to deal in direct insurance of foreign risks and large or unusual domestic risks which cannot be placed in te local or "admitted" market, as well as reinsurance of all kinds.

## Negligible

As it turns out, reinsurance has become the main, if not virtually sole, source of business for the Exchange — and within that field, facultative as opposed to treaty reinsurance. The market is therefore striving to survive on only a small *segment of the U.S. insurance* business. The flow of permissible local business and foreign risks to the Exchange has been negligible.

The Exchange currently has 20 underwriting syndicates, each of which had to put up a minimum of $3.55m, depending on the type of risk it writes. This is about as much as the Exchange's sponsors hoped for. It excludes, however, private individual investors because the Internal Revenue Service (IRS) has been slow to rule on their status. The question is whether partnerships may enjoy the same tax privileges as insurance companies, most notably on the treatment of reserves.

There is still no indication of when and how the IRS will rule on this—forthe U.S.—novel issue. But some potential private investors are getting impatient and seeking out different paths. Mr. Donald Kramer, one of the Exchange's founding fathers, said last month that he has begun to investigate other types of partnerships permitted under the tax code to speed things up. "What is the point of having this Exchange unless it is going to attract private investment?" he asks.

The other burning issue is regulation. The insurance industry's biggest disappointment is that the New York Exchange was constituted subject to New York's tight insurance laws, except as specifically exempted. This led to criticisms that the regulators were in danger of suffocating the Exchange before it had even got started.

Responding to these criticisms, a task force set up by the New York State Senate recently completed a study of the problem and proposed certain changes.

They did not perceive the relationship between the Exchange and the regulators to be a big problem. In fact they said there was a healthy degree of "give and take." Nor did they think the Exchange was over-regulated: "The Exchange has been successful in negotiating with the Insurance Department for the withdrawal of some of the more onerons provisions of such regulations."

But they did propose that access to the Exchange be relaxed to allow more direct New York State insurance to go on to the Exchange floor.

At the moment such business must first be offered to the Free Trade Zone (FTZ), a facility set up last year to permit the admitted insurance industry to write large or unusual risks, free from many regulatory constraints. Risks must be turned down by the FTZ before they may proceed to the Exchange.

By the end of June, the task *force discovered, only six risks* had been turned down by the FTZ, and of these even fewer —only two—went on *to* be written on the Exchange. The task force notes that this is somewhat at variance with New York State Governor Hugh Carey's assertion that "it is anticipated that the New York Reinsurance Exchange will attract substantial direct and reinsurance business to this state." The report concludes by suggesting that the rules governing access to the Exchange be reviewed by both the Exchange's Board of Governors and the State Legislature.

The reaction of the Exchange to the report was that it made a fair presentation of the problems but did not make recommendations that went far enough—notably on regulation 86-A which defines the relationship between the Exchange and the FTZ.

But if reforms are on the way, they will be slow in coming. Any changes that need legislative approval will have to await the opening of the next legislative session on January next. Even then the Exchange is nnlikely to be high on the list of priorities.

## Advantages

Part of the problem is that the insurance industry itself has mixed feelings about the Exchange. Some influential insurers are more interested in the Free Trade Zone since this offers distinct tax advantages, and they have little motive to create a more favourable environment for the Exchange.

Many brokers also have longstanding relationships with underwriters and do not need an exchange floor to reach them. This has produced criticisms that the little business that has made it to the trading floor has been force-fed. There is virtually no new capacity or genuinely new business only regular business being processed a new way. This could change, however, if the IRS ruling permits private investment.

As one top official at the Exchange said: "Lloyd's won't have to worry for 20 years at this rate."

However, others are more sanguine. The senior executive of one of the largest U.S. reinsurance companies said he would be alarmed if the Exchange did write a lot of business in its first year. That would suggest to him that it was writing bad business for the sake of appearances.

**TOTAL AMERICAN REINSURANCE**

(Summary of Estimated Net Premiums)

| Year | Professional Reinsurers Net Premiums $ | % of Total | Primary Companies with Professional Reinsurance Departments Net Premiums $ | % of Total | Unlicensed Foreign Reinsurance Net Premiums $ | % of Total | Total American Reinsurance Total Net Premiums |
|---|---|---|---|---|---|---|---|
| 1963 | 484,000,000 ... | 35.2 | 343,000,000 ... | 24.9 | 550,000,000 ... | 39.9 | 1,377,000,000 |
| 1968 | 682,000,000 ... | 38.0 | 442,000,000 ... | 24.6 | 670,000,000 ... | 37.4 | 1,794,000,000 |
| 1973 | 1,607,000,000 ... | 48.2 | 805,000,000 ... | 24.2 | 920,000,000 ... | 27.6 | 3,332,000,000 |
| 1978 | 4,332,000,000 ... | 50.8 | 1,955,000,000 ... | 22.9 | 2,248,000,000 ... | 26.3 | 8,535,000,000 |
| 1963-1978 % of increase in volume | 795.0% | | 470.0% | | 308.7% | | 519.[illegible]% |

Source: The National Reinsurance Corporation

# Chicago and Florida set to follow

INNOVATIONS ARE coming thick and fast in the U.S. reinsurance business but not all of them are guaranteed success. Indeed, one of them—an ambitious computerised trading facility—bas bad to be put on ice for lack of support.

The broad trend of innovation *seems to have two goals:* One is to find ways of shaking off at least part of the regulatory burden that characterises insurance in the U.S.; the other to create a more unified market for reinsurance, either on open trading floors in the style of Lloyd's of London or through the wonders of modern technology—or both.

The most advanced—and so far the only active—innovation is the New York Insurance Exchange, which opened with much *fanfare* earlier *this* year.

But though most of the publicity has centred on this exchange, there are actually two other projects in the oipeline —in Chicago and Florida—each *of which bas its own special* attractions. Whether either will open for business in the near future remains to be seen.

Of the two the Chicago Exchange is the more advanced. *This project was born in early* 1979 when it appeared that the New York Exchange might get bogged down and eventually killed by the New York State Legislature because of a battle over its proposed constitution.

Those difficulties were eventually resolved. But the Chicago idea stuck and eventually acquired a momentum of its own which led to the passage of enabling legislation in the Illinois State Legislature in the spring of last year.

Because it was tailing New York, Chicago was ahle to learn from the mistakes of its East Coast counterpart. As a result it adopted a radically different approach to the question of rules and regulations. Whereas the New York Exchange was created subject to State insurance legislation with certain exceptions (*which* were admittedly voluminous). the Chicago Exchange was exempted from all State insurance laws. except as specifically provided.

This meant the Chicago Exchange was born into a much freer regulatory environment, a fact that was not lost on New York and which gave the New York insurance industry a stick with which to helabour their own regulators for greater freedom.

In terms of organisation Chicago and New York are *similar*. They *will* operate as Lloyd's-style trading floors where hrokers can shop for the best price among several underwriters. However, they also differ in a number of detailed respects.

The minimum capitalisation in New York is $3.5m per syndicate, while Chicago requires only $2m. But while New York lays down no minimum participation by syndicate members, Chicago requires investors to put up a minimum of $30,000.

Access to the Chicago Exchange is also easier than in New York. While New York requires that direct U.S. business be first offered to and turned down by the Free Trade Zone (established last year to foster a wider market), there is no such requirement in Chicago. This means, however, that Chicago insurance companies will not get a crack at the business before it goes into the Exchange, which could cause some problems. The New York rules could be eased, though.

The constitutioo of the New York Exchange has been enshrined in *New York's State* law, which means that it can theoretically only be changed hy the State Legislature. *In* Chicago the constitution could be changed by the Exchange's membership. Again, the New York rules could be altered.

On the question of the security fund (which would protect policyholders against insolvencies of underwriters), the Cbicago Exchange will start off with a better fund, but once New York bas had time to build up its reserves policyholders should be better placed there.

Whereas a conscious attempt was made by New York to separate brokers from underwriters, the Chicago rules have the effect of encouraging brokers to participate in syndicates.

The Chicago Exchange has all the equipment, premises and regulations it needs to start up. The actual opening bas been delayed, however, because of lack of member support. Mr. James Skelton, the official at the Illinois State Insurance Department wbo is overseeing the *project, blames this* on *three* things: the depressed state of the insurance market, the delay on a ruling from the Internal Revenue Service on the tax status of individual investors io the Exchange and the slow start experienced by the New York Exchange.

## Formation

Chicago would ideally like to *have 10 syndicates* at the *opening;* at the moment only balf a dozen or so are in formation. Some 10 brokers bave expressed interest.

The third exchange, in Florida, is still at an early stage. Not only have the rules and regulations to be finalised; a site has still to be chosen. The leading contenders are Mia..i and Jacksonville, though other towns like St. Petersburg *and Clearwater are not out of* the running.

The idea of a Florida Exchange comes at a time when the State is riding a financial services boom largely because of its good geographical location as a springboard for Central and Latin America. Originally it was thought that the Exchange could large justify its existence with South American business, but studies have subsequently shown that it would have to cast its net wider than this—and have a solid domestic business base as well.

Conceptually, the Florida Exchange lies closer to Chicago than New York. The regulatory environment will be easier, the minimum capital requirement *will* be lower ($1.5m plus another $1m in surplus) and business will not first have to *be offered* to regular insurers before it can go to the Exchange.

The project's *sponsors* would like to launch it with $30m io capital behind it, though they would be willing to go ahead with only six syndicates putting up a minimum of $9m. But at the present rate the Exchange is unlikely to open before next year.

The sponsors of all three exchanges are aware that they are launching their projects at a bad time for the reinsurance industry, because of the softness *of* the market. The bope is, however, to have the exchanges established in time for the upturn—which could come next year.

*Whether the U.S.* needs *three* insurance exchanges is of course another matter. Few people in the insurance industry believe all three could survive. In fact there is a danger that in competing with each other they may be tempted to lower their standards.

The weakness of the market was blamed for the recent demise of the Reinsurance Exchange (REX), a computerised reinsurance market based in New Jersey. *Subscribers* received a *terminal through which* they could cede or accept reinsurance risks. But the project *was halted* in *July because* of lack of support. Its sponsors hope, though, to revive it in a modified form once the market improves.

**PRIMARY COMPANIES WITH PROFESSIONAL REINSURANCE DEPARTMENTS - U.S. 1974-8**

| Year | Net Premiums Written $ | Losses Incurred | Expenses Incurred | Combined Ratio | Profit % |
|---|---|---|---|---|---|
| 1974 | 938,037,000 | 79.01% | 27.56% | 106.57% | −6.57% |
| 1975 | 1,102,211,000 | 78.14% | 25.57% | 103.71% | −3.71% |
| 1976 | 1,383,806,000 | 75.24% | 24.34% | 99.58% | .42% |
| 1977 | 1,720,063,000 | 70.16% | 27.85% | 98.01% | 1.99% |
| 1978 | 1,955,241,000 | 76.96% | 27.34% | 104.30% | −4.30% |
| Percentage of Increase: 1977-1978 13.7%; 1974-1978 108.4% | Five Year Average 1974-78 | 75.40% | 26.63% | 102.03% | −2.03% |

Source: The National Reinsurance Corporation

## PROFESSIONAL REINSURANCE COMPANIES—U.S.

*(Summary of Underwriting Results)*

| | NET PREMIUMS WRITTEN ($000) | | | | | Increase or Decrease | | COMBINED RATIOS | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1974 | 1975 | 1976 | 1977 | 1978 | % 1977-78 | % 1974-78 | 1974 | 1975 | 1976 | 1977 | 1978 | 5-Year Average 1974-78 | Profit % |
| Aetna Re | — | — | — | — | 28,779 | — | — | — | — | — | — | 98.5 | 98.5 | 1.5 |
| American Centennial | 8,256 | 16,002 | 33,166 | 41,025 | 55,861 | 36.2 | 576.6 | 61.6 | 63.3 | 60.0 | 68.4 | 72.3 | 67.8 | 32.2 |
| American Mutual Re | 14,305 | 10,096 | 13,523 | 15,605 | 15,694 | 0.6 | 9.7 | 216.0 | 184.1 | 127.1 | 128.2 | 123.1 | 152.2 | −52.2 |
| American Re | 229,500 | 263,727 | 313,725 | 338,150 | 355,936 | 5.3 | 55.1 | 119.9 | 113.6 | 103.8 | 99.8 | 99.4 | 106.0 | − 6.0 |
| American Union | 19,865 | 21,125 | 26,334 | 31,553 | 33,729 | 6.9 | 69.8 | 103.6 | 104.9 | 98.2 | 97.4 | 98.5 | 100.1 | − 0.1 |
| Bellefonte Ins. | 53,066 | 76,209 | 111,990 | 163,193 | 207,423 | 27.1 | 290.9 | 100.8 | 113.2 | 111.4 | 106.8 | 112.0 | 109.7 | − 9.7 |
| Buffalo Re | 15,645 | 27,344 | 29,962 | 31,195 | 63,297 | 102.9 | 304.6 | 105.2 | 106.8 | 110.8 | 101.3 | 96.0 | 102.4 | − 2.4 |
| Christiania General | 7,085 | 8,624 | 10,585 | 14,399 | 16,315 | 13.3 | 130.3 | 109.2 | 105.6 | 96.9 | 98.6 | 96.9 | 100.3 | − 0.3 |
| Constellation Re | — | — | — | 32,008 | 58,978 | 84.2 | — | — | — | — | 107.6 | 100.5 | 101.5 | − 1.5 |
| Constitution | 31,458 | 42,503 | 55,021 | 71,746 | 87,734 | 22.3 | 178.9 | 99.9 | 105.9 | 98.7 | 98.5 | 98.6 | 99.8 | 0.2 |
| Dominion Ins. | 4,617 | 7,301 | 11,107 | 13,824 | 12,564 | − 9.1 | 172.1 | 162.9 | 124.5 | 121.9 | 123.2 | 104.1 | 121.6 | −21.6 |
| Employers Re | 165,412 | 198,316 | 248,307 | 312,986 | 360,811 | 15.3 | 118.1 | 105.3 | 108.9 | 101.9 | 100.8 | 100.4 | 102.7 | − 2.7 |
| Excess and Treaty | — | — | — | 7,820 | 11,655 | 49.0 | — | — | — | — | — | 94.9 | 94.9 | 5.1 |
| Federated Re | — | 12,588 | 16,032 | 20,490 | 25,187 | 22.9 | — | — | 104.5 | 92.2 | 98.6 | 102.3 | 99.4 | 0.6 |
| General Re | 331,771 | 428,784 | 522,238 | 565,669 | 641,892 | 13.5 | 93.5 | 105.9 | 106.5 | 99.6 | 97.3 | 97.0 | 100.4 | − 0.4 |
| General Security | 6,058 | 7,163 | 9,874 | 13,089 | 15,117 | 15.5 | 149.5 | 104.0 | 104.5 | 101.0 | 98.2 | 99.5 | 100.7 | − 0.7 |
| Gerling Global | 11,026 | 10,402 | 21,702 | 30,053 | 38,510 | 28.1 | 249.3 | 110.3 | 109.3 | 98.8 | 99.6 | 100.9 | 102.0 | − 2.0 |
| INA Re | 199,325 | 205,277 | 249,718 | 239,367 | 228,489 | − 4.5 | 14.6 | 104.4 | 106.3 | 101.7 | 104.0 | 99.7 | 103.1 | − 3.1 |
| Kemper Re | 53,343 | 63,858 | 78,723 | 97,046 | 107,433 | 10.7 | 101.4 | 99.0 | 105.3 | 99.9 | 99.8 | 99.7 | 100.6 | − 0.6 |
| Mercantile and General Re | 807 | 3,005 | 4,535 | 9,505 | 16,216 | 70.6 | — | 134.1 | 108.6 | 91.3 | 90.9 | 99.7 | 97.7 | 2.3 |
| Mony Re | — | 2,304 | 35,372 | 47,974 | 56,925 | 18.7 | — | — | 100.1 | 95.5 | 95.7 | 98.2 | 96.9 | 3.1 |
| Munich Re/Munich Am. Re | 31,713 | 46,481 | 83,484 | 141,302 | 142,324 | 0.7 | 348.8 | 107.8 | 104.0 | 103.5 | 95.3 | 96.6 | 98.9 | 1.4 |
| National Re | 65,604 | 81,115 | 104,266 | 150,382 | 170,558 | 13.4 | 160.0 | 109.4 | 103.9 | 98.6 | 97.3 | 97.1 | 99.8 | 0.2 |
| New England Re | 17,366 | 15,671 | 20,155 | 32,673 | 42,879 | 31.2 | 146.9 | 109.6 | 100.5 | 92.1 | 101.3 | 99.1 | 100.0 | — |
| No. Amer./Swiss Re | 173,544 | 210,492 | 267,962 | 291,295 | 329,668 | 13.2 | 90.0 | 118.8 | 126.1 | 105.9 | 99.5 | 99.6 | 107.8 | − 7.8 |
| North Star | 9,978 | 13,508 | 26,350 | 42,331 | 32,925 | −22.2 | 230.0 | 97.3 | 90.9 | 92.7 | 98.0 | 108.8 | 99.3 | 0.7 |
| Northeastern | 31,422 | 35,179 | 43,285 | 50,690 | 56,623 | 11.7 | 80.2 | 106.5 | 104.2 | 96.2 | 94.6 | 95.6 | 98.5 | 1.5 |
| Philadelphia Re | 11,466 | 12,167 | 16,332 | 27,026 | 35,971 | 33.1 | 213.7 | 101.7 | 106.5 | 103.2 | 97.5 | 99.7 | 100.8 | − 0.8 |
| Presidio Ins. | — | 9,947 | 10,332 | 12,032 | 11,185 | − 7.0 | — | — | 116.6 | 95.9 | 105.2 | 108.5 | 108.6 | − 8.6 |
| Prudential Re | 71,933 | 117,370 | 178,731 | 230,905 | 307,661 | 33.2 | 327.7 | 102.9 | 104.6 | 98.7 | 99.5 | 99.7 | 100.1 | − 0.1 |
| Reinsurance Corp. | 37,282 | 44,530 | 51,344 | 56,929 | 59,797 | 5.0 | 60.4 | 117.8 | 114.7 | 104.7 | 104.7 | 99.7 | 107.2 | − 7.2 |
| Republic-Vanguard Re | — | 70,056 | 36,952 | 80,983 | 116,256 | 43.6 | — | — | 104.3 | 86.4 | 97.3 | 99.7 | 97.6 | 2.4 |
| Rochdale | 6,239 | 9,092 | 10,131 | 11,919 | 14,062 | 18.0 | 125.4 | 114.9 | 106.7 | 103.5 | 98.0 | 98.6 | 102.8 | − 2.8 |
| Scor Re | 1,197 | 6,486 | 1,444 | 11,925 | 19,020 | 59.5 | — | 114.0 | 111.5 | 90.7 | 90.0 | 99.6 | 95.0 | 5.0 |
| Signet Re | — | 3,133 | 9,190 | 9,548 | 10,825 | 13.4 | — | — | 76.1 | 97.5 | 97.0 | 94.8 | 95.6 | 4.4 |
| Skandia Group | 52,205 | 68,521 | 104,416 | 130,751 | 141,949 | 8.6 | 171.9 | 99.3 | 99.7 | 98.7 | 98.6 | 99.6 | 99.1 | 0.9 |
| Switzerland General | 7,087 | 8,626 | 10,586 | 11,985 | 13,353 | 11.4 | 88.4 | 110.5 | 105.9 | 97.3 | 97.6 | 95.4 | 100.2 | − 0.2 |
| Transatlantic | — | — | — | — | 98,320 | — | — | — | — | — | — | 98.9 | 98.9 | 1.1 |
| Unity Fire | 8,491 | 10,423 | 14,646 | 19,122 | 22,739 | 18.9 | 167.8 | 104.4 | 105.0 | 97.2 | 100.4 | 99.1 | 100.5 | − 0.5 |
| Universal Re | 12,705 | 15,947 | 23,025 | 29,316 | 30,259 | 3.2 | 138.2 | 104.1 | 100.0 | 98.3 | 97.3 | 96.6 | 98.4 | 1.6 |
| Other Reinsurers | 158,691 | 137,681 | 99,242 | 193,012 | 227,263 | 17.7 | 43.2 | — | — | — | — | — | — | — |
| TOTAL | 1,848,462 | 2,321,053 | 2,903,787 | 3,630,824 | 4,322,175 | 19.0 | 133.0 | 109.6 | 109.9 | 101.2 | 99.7 | 99.5 | 102.5 | − 2.5 |

Source: The National Reinsurance Corporation

# Market upturn a long way off

U.S. REINSURERS are not ghouls, but they readily confess that the occasional catastrophe is good for business because it shakes out the excess capacity. That was why they were somewhat disappointed by the performance of Hurricane Allen which swept through the Caribbean and the Gulf of Mexico last month. Billed as one of the worst hurricanes of the century, with 150 mph gales, it smashed its way across Jamaica and then bore down on southern Texas, threatening death and destruction. But it never really got there. For some reason it petered out just as it hit the shore and turned into nothing more than a severe tropical rainstorm.

The people of Texas, needless to say, were mightily relieved. But the reinsurers felt they had lost the best boost to business for a long time. What made it particularly frustrating was that this was the second time in exactly a year that their hopes had been dashed. Last September the twin hurricanes David and Frederic swept up the U.S. East Coast all the way from Florida to the Canadian border, causing nearly $800m-worth of damage, exceeding the $715m record set by Hurricane Betsy in 1965 (in real terms, of course, the damage was considerably less).

But even their two efforts did not perk up the market—mainly, it seems, because the damage was so spread out that it did not hit any single insurer hard enough.

U.S. reinsurers could do with a lift just now. The reinsurance market is still weak, particularly on the property accident side, and as Mr. Harold Hudson, chairman of General Reinsurance, the biggest U.S. reinsurer, said: "We still can't see the light at the end of the tunnel."

The persistence of this weakness for three years or so has begun to mystify and alarm some people in the U.S. reinsurance business. The basic cause is clear enough—there is far too much capacity. But the riddle is how that excess capacity has managed to survive the intense competition that has prevailed in the market place since the late 1970s. "It is surprising that more companies have not been sweated out," said Mr. Hudson.

The main reason seems to be the length of the reinsurance "tail"—or the amount of time it takes for losses to work their way through the insurance system. The tail can be several years long, which means that reinsurers can put off the day of reckoning and enjoy the premium and investment income in the meantime.

### Recklessness

This is no problem for the large and experienced reinsurers. But for the "innocent capacity," as it is sometimes called, it creates something of a fool's paradise, and can even encourage recklessness. Moreover, unless reinsurers have adequate and wisely managed reserves there is a danger that they will eventually find themselves in trouble.

Mr. Stanford Miller, president of Employers Reinsurance Corporation (ERC), said: "When the losses start coming through, a lot of reinsurers will realise that they have not been making any money."

As the accompanying table shows, results have not yet taken a dip, though the expectation is that they will flatten out later this year.

The surge of capacity appears to be coming from a number of quarters. There are, for instance, the captive insurance companies set up by industrial concerns. Primary insurance companies are also increasingly interested in reinsurance. But the most serious influx from the U.S. viewpoint has been foreign reinsurance capacity, from a variety of sources: foreign government-owned companies, private companies, investors in the Arab world, and even the Soviet bloc, to say nothing of the huge membership increase at Lloyd's.

The U.S. reinsurers' problems have been somewhat heightened by this summer's sharp decline in interest rates brought about by a combination of recession and the Federal Reserve's tight monetary policy. Yields on Government and corporate bonds have dropped by three or four points, and short-term instruments like Treasury bills have fallen by as much as eight points.

This tended to reduce the investment income on which many reinsurers had depended to help them through lean times. There were, however, some consolations in the recovery of bond values, which brought capital gains, and the stock market has been quite strong.

But though this reinforced the lesson that underwriting profits as well as investment income are required for survival, it may not be enough to give the business the good capacity shake-out it so badly needs.

So when will reinsurance turn the corner? "Not for a couple of years at least, says Mr. Leroy Simon, senior vice-president of Prudential Reinsurance, the reinsurance subsidiary of America's largest insurance company. "It's got to be 1982, or even further out," he said. "These are tough times for reinsurers."

Mr. Miller believes things will get worse before they get better, though he expects an improvement by 1982. "It's not yet as serious as it was in 1974-75," he said, "but it's getting that way."

The insurance cycle itself, currently going through one of its four-yearly troughs should pick up somewhat sooner, maybe by the end of next year.

Meanwhile, reinsurers are developing ways of coping with the softness of the market. Those with a large part of their business in treaty reinsurance are naturally having an easier time than those who rely heavily on facultative reinsurance. Within the treaty business, life insurance is holding up best.

Mr. Hudson, whose group managed a 16 per cent earnings gain this year, noted: "We're staying out of the facultative market. It's been cut to ribbons, price-wise." He has concentrated on building up relations with medium-sized companies in the Mid-West, an area which has the strongest prospects, he believes.

### Dominant

In fact specialisation in types of business or geographical areas will probably become a dominant trend as companies try to cope with the softness of the market.

Even if the U.S. industry is not going through a shake-out, it is experiencing quite a shake-down. Reinsurance companies have turned out to be attractive takeover targets for interests ranging from other insurance companies right through to oil companies. As a result only one large reinsurer, General Reinsurance, is still independent. In the late 1970s Aetna took over American Re, marking its direct entry into the reinsurance business. And earlier this year ERC became the object of a bitter takeover battle with Connecticut General. In the end the winner was Getty Oil with a bid worth $565m, making the takeover one of the largest of its kind ever seen.

The gradual disappearance of independent reinsurers is a trend that is regretted in the industry. "It would be better if there were a lot of independent companies," said the chairman of a company that was itself taken over not long ago. "It would give the business

### U.S. REINSURANCE RESULTS

| | Six Months June 1980 | Six Months June 1979 | Year 1979 |
|---|---|---|---|
| Combined ratio of losses and expenses | 98.60 | 98.58 | 98.82 |
| Net income ($m) | 71.963 | 62.094 | 133.901 |
| Loss ratio | 68.51 | 71.28 | 68.50 |

Source: survey of 47 companies by General Reinsurance

# London's busy fringe market

GROUPED AROUND Lloyd's Lime Street buildings is what has become known as the fringe market. Sandwiched between Leadenhall Street and Fenchurch Street and scattered up alleyways and side streets are representatives acting for nearly 300 overseas reinsurance groups.

The fringe may operate through a UK based representative office established by an overseas parent, through non-Lloyd's underwriting agencies, through underwriting pools or through fronting operations. Hanging under the eaves of Lloyd's, as the fringe does, it hopes to participate in Lloyd's prosperity as well as compete against it.

Much of the fringe market follows the leads established on risks by Lloyd's underwriters as well as offering alternative capacity should Lloyd's be unable or uncompetitive enough to handle some lines of business.

The fringe of course does not like being referred to as the fringe. All the opprobrium of rather shady and irresponsible deals, it feels, attaches to the description.

Its annoyance is justifiable. For while Lloyd's likes to think that it has a monopoly of underwriting talent those groups outside its market have in many cases been making every effort to ensure that their services in London are operating at a high standard.

The UK-based subsidiary companies of U.S. insurance groups have skilled managements and usually strong financial teams. Some of the State-backed companies which have set up representative offices in the UK, after several false starts, have realised the importance of securing the best underwriting talent available.

In fact some of the fringe market has been so successful in attracting good underwriters in odd cases that Lloyd's members are seeking to "poach" them for their own businesses.

Those elements of the fringe operating through underwriting agencies, pools, or fronting operations have not been so fortunate in many instances with their underwriting. They are probably learning that the only only way to do business successfully in a foreign market is by getting as close to the client as possible.

On the trading front the fringe is experiencing problems similar to those of the Lloyd's market. Less business is emerging from the U.S. as more reinsurance is retained locally. There have been heavy pressures on the fringe at renewal time, with rates falling by as much as 15 per cent or at best staying steady—which is still bad news for the reinsurer trying to build up reserves.

## Disruption

More important, the extensive realignment in the transatlantic broking scene has meant that there has been considerable disruption in the continuity of underwriting of business as a major redistribution of accounts has taken place.

As Marsh and McLennan of the U.S. forged closer links with C. T. Bowring, which eventually led to a takeover, so accounts were shifted from Marsh's other Lloyd's of London broking contacts. With very large accounts revolving in the London market among brokers, so the underwriting arrangements were often churned.

As the big mergers get under way many disaffected brokers are *leaving their old companies* and setting up their own breakaway ventures and trying to build up accounts. This is leading to more fragmentation and is unsettling the London market.

What is happening in this situation is that the broker setting up on his own is often taking a chunk of an account which he has been servicing at his old firm. In turn this has encouraged other bigger brokers to step in and seek a slice of the action. In return for putting up the capital and taking an equity interest in the new broking firm they also have access to a major line of business.

Another problem for the London market, both fringe and Lloyd's, as well as other international markets, has been the trend in liability litigation in the U.S. Insurers providing a broad range of accident, casualty and property *covers—including* product liability, workers' compensation, employers' liability, group personal accident and disability — found that various asbestos-induced risks underlie part or much of the policies issued. In many cases they have not always understood the policy obligations. One of the main asbestos-related risks, that of asbestosis, can involve very long-tail liability.

The main concern among international insureres and reinsurers is the growing number of claims which have been filed in the U.S. *against the* country's main manufacturer of asbestos products, Johns-Manville Corporation, and the liklihood of more claims to come. Over 3,000 claims have been made related to asbestosis, a lung desease contracted over a period of 20 or 30 years by workers who came into *contact with the substance* regularly. One award to a widow topped $2.6m in compensation from a Texas court.

In response to the extensive litigation many U.S. insurers have stopped underwriting asbestos-related risks, or will only include them as a minor part of a larger account. Johns-Manville, in turn, sued 27 insurers this year, including Lloyd's, seeking to "define the obligations and duties" of these underwriters in asbestos claims. The Johns-Manville suit involved more than $400m of excess insurance for personal injury from asbestos-related diseases between 1934 and now, as well as property *damage* related to other products.

## Stopped

In London the possibility of claims of this magnitude is making underwriters think carefuly about treaty wordings and, possibly at the expense of some flexibility, coverage is being more closely defined.

Inevitably both Lloyd's and the fringe are becoming more embroiled in legal disputes over claims and in the numerous computer leasing actions a significant number of *the fringe* companies have been joined in the suits against Lloyd's underwriters.

The other main problem, which is discussed more fully elsewhere in this survey, is the slow movement of premium at a *time* of high *interest* rates. This and the added difficulties of loose wording in contracts and delays in the closing of a risk conspire to make the life of the efficient end of the reinsurance chain particularly complicated. Quite often, because of a weak link in the reinsurance chain, where documents have not been properly processed, some wordings are never signed although the client would anticipate that his contract had been thoroughly documented.

Against a background of declining *standards* and with what one reinsurer has described in London as "irresponsible competition *fuelled to a large extent by the* 'cash flow cowboys'" some reinsurers in the London market are adopting a protective stance.

Some companies prefer to underwrite on a non-proportional basis, accepting excess-*of-loss reinsurances* where the reinsurer has some control over rates. Under this arrangement, in return for an agreed premium, the reinsurer accepts liability for losses incurred by the reinsured in excess of an agreed amount, subject to an upper limit.

Under a proportional reinsurance arrangement the reinsurer receives an agreed proportion of the original premium *less commission,* and pays the same proportion of all losses.

But whatever the trading experience is in London it is not *likely to* deter *new* entrants coming into the market. Geographically London is the nearest European reinsurance centre to the important U.S. market, which produced around half of the world's insurance premiums and account for nearly a quarter of the world's total reinsurance premiums. No matter how difficult it may be to secure business from that market, most overseas groups want to remain close to the centre of *activity.*

**John Moore**

# Gulf States foster local groups

INVESTORS IN the Middle East have for some years been attracted to reinsurance companies, particularly by the relative speed with which profits can accrue in a large concern with a substantial volume of business. But although the growth of insurance and reinsurance companies in the region has been rapid, accelerated by the injection of oil wealth in the 1970s, local expertise has only recently been built up sufficiently to help achieve the desired increase in local premium retentions.

Local insurance companies presently retain between 3 per cent and 5 per cent of risks, ceding much of the remainder to Europe. But a combination of well-established companies in the region—the Iraq Reinsurance Company, Baghdad, the Arab Reinsurance Company, Beirut, and the Arab Union Reinsurance Company, Damascus, among them—and the establishment of pools insuring a wide range of risks have increased possibilities for greater retention of reinsurance business.

The formation of insurance pools has been seen as a means of retaining more premium income through inter-Arab co-operation. The General Arab Insurance Federation, the regional trade association which has operated since the 1960s, has five reinsurance pools operated by national companies to write fire, engineering, marine hull, marine cargo and aviation risks. Twenty companies from eight Middle East countries are members of the Federation of Afro-Asian Insurance and Reinsurance Companies (FAIR), a fire, marine and accident pool which has operated since 1974, showing a substantial rise in premium income.

There are also several joint slip placement schemes for groups of Arab fleet or airlines; the Kuwait-based Arab Maritime Petroleum Transport Company sponsors the Arab Tanker Insurance Pool, and a Gulf Air Cargo Pool is now proposed.

The latest insurance pools under discussion have attracted widespread attention following the decision by Lloyd's of London last year to impose a surcharge on premiums for vessels sailing through Gulf waters because of the political tensions. The Gulf States initially responded by calling for a boycott of the Lloyd's market and the establishment of an Arab reinsurance market to take its place.

## Surcharges

The Lloyd's decision was apparently based on an American intelligence report that Palestinian guerillas had threatened to attempt to highjack a tanker and possibly scuttle it to block the strategic Straits of Hormuz at the mouth of the Gulf. The surcharges levied resulted in British Petroleum instructing its tanker masters in May not to enter the Gulf area unless they had a scheduled cargo to pick up. The premium at that time included an additional $30,000 on a 250,000 tons Very Large Crude Carrier valued at $30m—0.1 per cent—for seven days cover in Iranian waters, and $22,500 for fourteen days coverage, based on a 0.075 per cent surcharge, for Iraqi ports.

The Gulf States have responded with a marine pool to take riot, civil commotion and war risks cover on hull and cargo for vessels operating in the Gulf and flying flags of Arab countries in the region. The syndicate expresses its aims as the co-ordination of the area's marine insurance business, to keep as much as possible within the region, and to make foreign insurers think "very carefully" before imposing new and higher rates.

Thirty-one companies have so far joined the syndicate, which will take business from January 1981, after a five-member technical committee has worked out procedures and established a rating schedule. The Arab Maritime Petroleum Transport Company, owned by eight AOPEC States, has already indicated its intention to switch its cover to the new syndicate, while recently declining to pay the increased war risk premiums imposed by Lloyd's.

But there has been some softening in Gulf insurers' attitude to Lloyd's this year, reflecting the continuing need to reinsure marine risks with that market. Gulf insurers did explore placing reinsurance with the French market but apparently encountered a lack of capacity. With the first-year premium income of the War Risks Syndicate estimated at $10-$12m, some business could still find its way to Lloyd's, which has the capacity to take on large marine risks.

This capacity problem could be alleviated with the proposed formation of the Arab Reinsurance and Insurance Group (ARIG), the region's most ambitious pool to date. The Governments of Kuwait, Libya and the United Arab Emirates (UAE) have agreed to pay an initial capital surplus of $150m in equal shares and have guaranteed total authorised capital of $3bn for the pool, which aims to take business from early next year. The backing is 60 times the capital underpinning the new New York Insurance Exchange, and compares with Lloyd's annual premium income approaching £2bn ($4.76bn).

ARIG was initially expected to cover war risks, and some confusion remains over what marine business it will take and what will be directed to the War Risks Syndicate. Financial and technical details on both projects are still scarce, but there has been speculation that ARIG's massive capital backing could be used for the war risks pool, to help increase the latter's scope for retaining premium income.

In the current international climate, with substantial overcapacity in reinsurance markets and the resulting tendency to cut rates to attract business, ARIG's very substantial capitalisation should attract insurers both within and outside the region. Latest word from the Gulf is that the pool now plans an emphasis from the start of operations on an international rather than local role. The pool's backing makes it immune to many of the constraints on writing business in less well capitalised concerns, while premiums are expected to derive from Third World nations where OPEC countries participate in funding projects, with a natural link between project finance and insurance and reinsurance of the projects being funded.

Plans for the internationalisation of ARIG also include the purchase of companies overseas, both to contribute to cash flow and to gain entry to established insurance markets. This would *also provide* greater backing for local risks, through the wider range of business taken on by the pool. The capitalisation would also enable the pool to consider insurance related investments world-wide, both increasing income and reinforcing ARIG's international standing.

ARIG is also likely to attract local business from the oil industry and related activities. Kuwait, Libya and the UAE are significant oil producers, and substantial premium income could derive from the reinsurance of oil production, refining and transportation.

ARIG's managers are aware of the need to co-operate and co-exist with the major international markets, the pool's advisers stress. This could well result in using the Lloyd's and New York markets to place and secure retrocessions of international business as a further means of spreading the pool's risks.

If executed, these ambitious plans would go some way toward ARIG's aims to become a major insurer for both the Arab and outside world. But with the project details still under discussion, the form in which the pool begins operations next year and its potential for reinsuring a wide range of risks derived locally and internationally, will indicate prospects for the venture's success.

**Adrienne Margolis**

# Japan a focus of world interest

"THE JAPANESE reinsurance market, to foreign underwriters, must look like a mountain of gold," says Mr. Seiji Yamada, senior managing director of the Toa Fire and Marine Reinsurance Company, Japan's only institution specialising in general reinsurance. His comment is based on the fact that while the domestic firms take more than 1.5 times as much reinsurance from overseas than they entrust abroad in terms of premium, the balance of payments on international insurance claims is unproportionally deep in deficit.

Last year Japan's reinsurance premium income from abroad registered Y273.4bn while the outgoing sum was Y161.7bn. On the other hand, Japanese companies received only Y77.2bn in insurance money compared to Y177.1bn they paid out to meet overseas claims. Discouraged by the adverse balance, smaller Japanese firms which tried their hands at overseas reinsurance some years ago are now withdrawing from the business.

For foreign reinsurers, however, the same set of figures is the very reason why they want to be in the market. Some foreign firms are said to be earning five times as much as they give away on this market. "It's a disciplined, orderly market, which makes it very easy for us to do business," attests Mr. Herbert Haag, representative for Swiss Re advisers in Tokyo. He cites the strict control by the Government and the limited number of participants on the market — 22 Japanese and 38 foreign companies — as reasons for the orderliness. "Except for a few areas there are definitely set tariffs and virtually no slipping away from them," says Mr. Haag.

Despite all the praises, the market is not an eternal rose garden. The share of reinsurance in the entire insurance industry has been steadily declining for the past few years. Only 13 per cent of the total insurance was sent out for reinsurance last year, compared to more than 18 per cent five years ago. While the total premium for direct insurance grew by 10 per cent between 1977 and 1978, the amount exchanged on the reinsurance market decreased by 3 per cent.

How can this phenomenon be explained? For one thing, slackening of the economy since the 1974 oil crisis slowed capital investment by industry, reducing the opportunities for large-risk insurance. For another, growth of non-life insurance business in recent years has depended largely on an increase in household customers, whose risks are not large enough to be put on the reinsurance market. In this sense, although there is much room left for growth of non-life insurance in Japan, it does not necessarily promise a bright future for the reinsurance sector.

## Pessimistic

Another reason for the pessimistic view about reinsurance market is the intensifying competition in the industry. Unions and mutual relief associations are beginning to meet their insurance needs themselves, taking business away from professional companies. Within the smaller piece of pie that is left, direct insurance companies are retaining greater portion of risks for themselves as their financial position improves. More risks are exchanged among the domestic companies instead of being sent abroad.

"We, the foreign firms, are needed only for very large catastrophic risks," says Mr. Haag. Only 11 per cent of reinsurance premium went to foreign firms last year compared to 13 per cent in 1978 and 15 per cent in 1977.

Even so, Japan still is a far better market than many around the world. Attracted by the good record of Japanese customers, Trans Atlantic Reinsurance, a member of the AIG group, is said to be considering entering the market by establishing a local subsidiary specialising in reinsurance, although application has not yet been made to the Ministry of Finance. If the company should proceed successfully with the plan, more outsiders would be expected to follow suit, further intensifying the competition.

"What makes the Japanese market attractive is that the quality of risks is generally superior to those in other countries," says Mr. Yamada. For a given disaster of equal magnitude anywhere in the world, he argues, the damage would be much smaller in Japan because of better maintenance of facilities carried out by high-quality labour. Mr. Haag agrees simply because Japanese plant and equipment is newer than in many other industrialised countries.

True, for some time Japan has escaped its share of major disasters like the nuclear plant accident in Three Mile Island or the hurricane that hit the southern States of America. However, what might yet come could be far more disastrous than any in the recent history. That, needless to say, is a major earthquake, which might destroy an entire region of Japan. Earthquake insurance bought by industrial plants along Tokyo Bay alone amounts to about Y450bn, more than 80 per cent of which is reinsured by foreign underwriters "Our balance is good so far," says Mr. Haag, "but the profit could be wiped out at one blow by an earthquake."

Of the Y161.7bn reinsured abroad, the major share is processed through London brokers. "Although the greater portion of the business now goes to New York and other insurance centres, London is still attached to it," says Mr. Yamada. "But the trend away from London seems inevitable."

The Japanese, as industrial leaders of Asia, have been aware of the movement to create an Asian reinsurance market but did not participate in the Asian Reinsurance Corporation formed by governments in the region. The presence of Taiwan in the organisation discouraged the Japanese Government, which is eagerly pursuing stronger economic ties with the People's Republic of China. Only Toa Marine and Fire joined the Asian Reinsurance Pool in its capacity as a private firm.

**Ayato Doi**

# Collaboration grows in the Third World

THE DEVELOPING countries are on the point of a new collaborative initiative in the insurance industry. The Third World Insurance Congress (TWIC) in Buenos Aires last March resolved to adopt the Association of Insurance Supervisory Authorities in Developing Countries which had been formulated by the Asian Institute of Insurance in Manila.

The Asian Institute was empowered to collate and incorporate all the comments and amendments submitted by the supervisory authorities interested in joining the Association and to prepare a final draft of its constitution for submission to the CIFT meeting of UNCTAD in Geneva this year.

It is difficult for the moment to determine the exact course this initiative will take but the emphasis of the Buenos Aires resolutions was laid firmly on mutual self-help, collaboration, education and research, and the promotion of permanent contacts among members.

Political inspiration for the Association appears to be taking a back seat. Thus there is now some hope among underwriters in the established markets that some of the restrictive Third World programmes aimed at local and regional premium retention may be cut back. Yet aspirations among developing countries still vary greatly and there is no certainty that restrictions on broker activity, the reservation to national companies of local cargoes and other insurances, or the local reinsurance monopolies' strict control of foreign cessions will automatically cease.

## Conclusion

It seems somewhat optimistic to believe the development of more "horizontal" open market business between developing markets is a natural conclusion to conference resolutions but many of the 17 papers addressed to the second congress alluded to the needs for regional pools and an orderly growth of local capacity.

Perhaps it was only right that a Frenchman should take as his theme "The integration of insurance activity within common markets." Dr. Pierre de Vogue, of France's Societe Commerciale de Reassurance (SCOR), pointed out that the policies implemented by the developing countries until now have dealt mainly with the concern to prevent growing insurance industries from relying excessively on foreign markets.

"As much as these defensive and protective measures may be justified presently to allow the launching of new insurance institutions," he told the 1,000 or so delegates, "they will in the long run exhaust their effect and raise inconveniences."

Such protection, he believes, leads to retaliatory action by foreign insurance industries which especially affects the companies of smaller countries by preventing them from developing abroad and thus reaching the size required to attain a portfolio balance and thus to cut their reinsurance requests.

A lack of competition may involve a risk of "sclerosis," he said, by eliminating the natural stimulants to progress. "This is notably the case of very strict systems controlling reinsurance; a desire to channel excessively the reinsurance needs towards state institutions deprives the primary market of the advantages which they would normally enjoy from the interplay of competition on the secondary market."

Mr. F. Abdel Rahmao, chairman of Egyptian Reinsurance Co., picked up the theme in his "Cover of Catastrophic Risks in Developing Countries."

The creation of State-controlled or semi-government-owned entities solely authorised to insure within the national territory, he said, "of course imposes an enormous burden on the national insurance market, particularly in the event of catastrophes."

## Emphasised

He emphasised that the major consideration in the provision of adequate insurance cover is capacity but "as many of the newly established insurance companies in the developing countries are under-capitalised, reinsurance has to be arranged, and after the national capacity has been fully utilised, the surplus is placed in the traditional overseas reinsurance markets."

Obviously, total retention represents only a small proportion of the total value of risks covered and the required capacity must be found elsewhere. "In this respect," Mr. Abdel Rohman continued, "due emphasis must be made of the advantages of retaining the maximum possible proportion of the risks within the national markets with its dual effects of both consolidating market capacity and restricting the flow of currency abroad."

It seems fairly clear that the Third World's sometimes frosty relations with the West have by no means thawed completely. The chairman of the Korean Reinsurance Company in Seoul, Mr. Uo Hoe Park, called for more suitable reinsurance commissions in his speech on "Reinsurance as a means of International Co-operation." "The actual commission paid is far higher than that required to produce a marginal profit over the production cost. Sometimes the developing countries are asked to pay over 50 per cent." His quick answer to the question of why the scales are so high was straightforward. He blamed the brokers and underwriters in industrialised countries.

The concept of regional pools and regional self-help through the Asian Reinsurance Pool, Asian Reinsurance Corporation, FAIR Pool, African Re and the rest was widely supported and there is little doubt that the exchange reinsurance business will grow as will the rate of premium retentions.

Whether these pools will enlarge to form a lake of world-wide co-operation is another matter. Certainly the concept was widely mooted in Buenos Aires, as was the understanding of that the scale of catastrophe loss is straining the world's insurance framework to its limits.

Perhaps by the time of the third TWIC in Kenya in two years time the idea will have grown further. It may take more than the four years before the Morocco congress. Whatever the outcome, the "First World's" underwriters and brokers will be watching keenly to assess the chances of more practical multinational action among the Third World insurance professionals.

**Ray Maughan**

# Unfettered environment in Bermuda

IMPLEMENTATION last March of the Bermuda Insurance Act 1978 says a great deal about the nature of the Bermudian insurance industry.

The fact that companies have been setting up in Bermuda at a growing rate over at least the past 20 years without having to live with any statutory insurance requirements whatsoever, points up the attractive lack of paperwork and officialdom that the island offers.

The Act itself has been framed specifically not to deter further growth. Its principal purpose is to impose solvency disciplines on the island's insurance companies rather than the all-embracing product, rate, market conduct and policy regulations imposed in the main onshore markets.

To this end Bermuda carriers are required to institute statutory accounting principles, to submit auditor's reports and a certificate of solvency which indicates conformity to minimum solvency margins. Companies are required to calculate and provide the Bermudian registrar with the ratio of premiums to capital and surplus and to file their business, managers and intermediaries.

The law stipulates that companies should not write business on which the premium income is more than five times the aggregate of their capital and surplus.

Highlighting the comparative freedom of the Bermudian insurance market still further, the authorities propose to supervise the industry by consent and consultation. The Insurance Advisory Committee comes into this supervisory framework and its members are mostly Bermuda-resident insurance executives who will in effect be regulating the activities of their peers. Committees have also been sat up to supervise admissions, brokers, managers, life assurance, accounting and auditing and insurance education.

For all the evident freedom from control, the island's insurance history is almost unblemished by financial collapse. The only recent case of failure is the Mid-Atlantic reinsurance company. To a very great extent this stain-free record is a tribute to the careful vetting by the island's Registrar of Companies of all prospective insurers.

Yet the Bermudian insurance companies proliferate and the premiums handled there may soon exceed those generated by Lloyd's of London. The island now provides a home for around 900 companies drawn by the exemption from any local ownership and tax requirement which is granted provided they conduct their business off the island's shores.

Exemption of this nature makes Bermuda the ideal home of the captive insurance company, principally serving a parent based in, say, the UK, the U.S. or Canada. Given its location, Bermuda makes an ideal middleman between the two major markets of London and New York.

## Foremost

It is difficult to dissociate Bermuda from the captive market. In-house or self-insurance facilities are offered elsewhere—in the Channel Islands, the Caymans, Gibraltar and one or two American States, for example—but Bermuda remains the foremost home for big industrial companies' insurance subsidiaries.

Recently, prompted by the U.S. Internal Revenue Service (IRS), the captives have been branching out into third party business. The IRS has ruled that premiums are only tax-deductible if paid by bona fide insurance companies and those captives dealing solely with the affairs of their parent did not qualify. It is generally assumed that a tax claim will not be challenged by the authorities if about a quater of a captive's capital is allocated to outside risks. It is also true to say that the captives were already using their underwriting capacity and accumulated reserves to enter third party business and reinsurance markets.

Reinsurance is an attractive outlet for a captive which would not want to fill an offshore office with the many staff and administration requirements which policy writing requires. Moreover, the costs of acquiring reinsurance are usually substantially less than primary insurance expenses and the business is generally more accommodating of large risks.

Few insurers expect the captives to clamber back onshore to face the inevitable competition, to say nothing of the huge setting up costs implicit in a major mainland invasion. Few insurance companies, conversely, have deigned to set up captive operations in Bermuda.

**Ray Maughan**

# National regulations vary widely

STRADDLING every sort of national and business frontier, the reinsurance industry is not one which lends itself easily to regulation. Although countries in the world's industrialised and developing regions have worked out their own widely differing methods of exerting some sort of supervision—however loose—attempts at setting up a comprehensive universal control mechanism are a long way from fruition.

In some areas, reinsurance companies are viewed more or less in the same light as insurers. Elsewhere, as in South America, full-scale monopolies operate. Other nations prefer to keep controls as small as possible, while the U.S. boasts one of the stiffest regulatory systems of all.

Within the EEC there are also sharp variations in approach. The French, for example, take a fairly laissez-faire attitude. Controls are at a minimum, with none at all exercised over reinsurers based in the country itself or the rest of the EEC. Companies from outside, however, have to gain authorisation to carry out business and must furnish certain figures. Apart from marine and aviation business, direct insurers must show reserves for gross acceptances, with no allowances for reinsurances, and keep up the necessary degree of solvency on that basis.

In West Germany, foreign insurers are unfettered by the State. But domestic specialist reinsurers do come in for a limited amount of official scrutiny. They are obliged to supply statistics, but there are no definita provisions on solvency. Companies doing both direct insurance and reinsurance business are handled as if all their business were direct. The Swiss allow foreign groups to carry out reinsurance business without any controls, though domestic companies are subject to authorisation and financial requirements.

"It is probably true to say that there are almost as many systems of control as there are controlled territories," said Mr. Julius Neave, managing director of Mercantile and General Reinsurance in a lecture delivered a few years ago. Since then, he believes, not much progress has been made in working out a basic framework of regulation, even within the EEC. "I don't think anyone will find a solution that will be universally accepted," he said recently.

In Britain, reinsurers have always been seen as insurers and are subject to more or less the same controls. All reinsurers must be authorised, class by class, by the Department of Trade and must hand in legally required returns. For both insurers and reinsurers, these are on the basis of business written, less reinsurance ceded, with technical reserves and solvency margins required on the net business retained.

## Specifically

Reinsurers in the U.S. are kept on a tight supervisory rein, needing authorisation in each State where they wish to do business and having then to submit detailed quarterly and annual returns on all parts of his business. These are subject to rigorous scrutiny by officials.

Despite the thoroughness of the American system, said Mr. Neave, "the extent of its success, if measured by the failure of companies, is not so obvious." As well as the controls aimed specifically at reinsurers, the latter are also supervised further through the rules affecting direct insurers whose returns—usually on a "net" reserve basis—may only be offset by reinsurances placed with reinsurers "admitted" by the State authorities.

In his lecture, Mr. Neave highlighted one key difficulty opened up by the varying regulatory systems in major markets. This was that of reserves. Because the reinsurer is not, in some EEC countries, under the jurisdiction of insurance authorities, this can lead to the disallowance of credit being given by the supervisory authorities for the protection afforded by reinsurance in calculating the reserves of the direct insurer.

"This attitude has been named the 'greengrocer syndrome,' since it has placed reinsurers in a situation, in relation to insurance, that is no different from that occupied by a greengrocer, a chemist or any other trader," he commented.

If the principal of reserving on a gross basis without credit for reinsurance were carried to its logical conclusion, he added, this would present serious problems. The investment of technical reserves would become the responsibility of the ceding company in whose hands the gross reserves must be established. Reinsurers usually get only a nominal rate of interest on withheld reserves — a vital point in these high interest rate times — and the funds are controlled by the ceding company.

Another major problem in considering the pros and cons of regulation is the fate of the risk once the reinsurer has passed it on. "Supervisors are generally very worried about this," says Mr. Neave. "It is a very real problem when you get a lot of newcomers in the business. We can take a good deal of care of where our business goes; we try very hard to see we get good security." But what happens when the risk is finally passed on to a reinsurer in a far-flung corner of the world?

In the EEC, he adds, there is still a wide measure of disagreement on the proper regulatory approach to the reinsurance sector. With the varying attitudes in such members countries as the UK, France and Germany, unanimity is bound to be elusive. One aspect that officials are trying to sort out is the position of the reinsurer in the case of an insurance company which goes bankrupt. To what extent could a claim be made through the ceding company to reinsurers?

The idea of regulation takes on a different slant when applied to the developing countries where it generally goes hand in hand with a monopoly operation. Since these are obviously government-backed, their security is beyond question. But they may be deficient in a major underwriting aspect and become a target for the dumping of poor business.

There are some signs, however, that the monopoly grip is easing in South America. Chile is contemplating whether to allow private reinsurers to work side by side with its own monopoly system, though it is hard to say at this stage what will emerge. The Argentinians have previously been on the brink of permitting some measure of private involvement but then decided to pull back.

Government participation in national reinsurance groups does have the advantage of ensuring that sizeable risks are more or less adequately underwritten. If local reinsurers keep a large slice of the business for themselves, they obviously stand to suffer if anything goes wrong.

Clearly, the task of placing a secure regulatory net under the world's complex and many-sided reinsurance business will be a long and wearisome one, requiring immense reserves of patience and skill. Whether this will ever be achieved is another question. There are certainly plenty of arguments against close supervision. Nor can comprehensive controls, however rigorously implemented, remove the pitfalls from an industry which is, after all, concerned with risk.

**Andrew Fisher**



# Big State hand in Brazil

THE FUNCTION of the State in Brazil's insurance industry is at various levels. First, through the Private Insurance Board SUSEP, the Government sets the rates charged in each portfolio and no new portfolio can come into existence without SUSEP's sanction. Secondly, the public sector (Federal and State governmnets) has its own insurance companies, whose participation in the market fluctuates around the 7 per cent mark. Thirdly—and in the view of many insurance executives most important—a major area of insurance is monopolised by the State, namely reinsurance, via the Brazilian Reinsuranca Institute (IRB).

In addition, much of the insurance sector's business is actually generated, directly or otherwise, by the Government. Around 40 per cent of all premiums are produced on compulsory policies such as motor insurance. A further 20 per cent are created directly by the Government, insuring public works and buildings, etc.

Fifteen years ago, for a variety of reasons, the Brazilian insurance sector was in a mess. The inflation rate was in the 90 per cent range (ironically, lower than the current 107 per cent), and the financial base of the companies concerned was weak. Power was in the hands of the autonomous brokers, who could personally collect payments on policies they had arranged.

This inevitably led to a situation where the brokers retained the money for as long as possible for their own applications, with adverse effects on the companies' liquidity. Some brokers went so far as to charge a fee for hurrying the payments through to the companies. The companies, in turn, had earned a reputation for not paying up on claims, an image whose damaging effects advertising campaigns are still having to combat.

As a result the Government installed after the military takeover in 1964 had to take control of the sector, directing and strengthening it. The first step was to transfer the collection of insurance payments to the banking system, forging a link between two areas of financial activity which would grow and provide the base for the present financial solidity of the insurance sector.

To guarantee the participation of national capital in the insurance sector, the Government adopted a strategy—still in force—of giving preference to Brazilian insurance companies in the award of contracts for insuring public works and Government property. This is not an absolute rule. There are occasions, such as with major infrastructura projects involving foreign investments and know-how, whera the presence of foreign insurance companies is stipulated by the foreign participant.

Nevertheless, the propensity for choosing Brazilians where possible has induced several companies, controlled by foreign capital, to nationalise their control. One example is the Vera Cruz Insurance Company, originally controlled by the Argentine group Bung y Born, whose capital is now being transferred to the Banco de Credito Nacional, a Sao Paulo company.

As a further measure to strengthen the sector, the Government followed a policy adopted in other sectors such as banking of encouraging mergers trating and consolidating ttSH and takeovers, thereby concentrating and consolidating income. This was down by stipulating minimum reserve requirements for operations in the sector, which forced several smaller and more vulnerable companies out of business or into mergers with larger and stronger institutions.

This financial concentration was frequently to be found in the banking sector, so that the 1970s were marked by the formation and growth of a number of financial conglomerates centering on a commercial bank. The participation of these conglomerates in the insurance sector continues to grow, as elsewhere in the financial world.

The two biggest insurance companies in terms of net assets are Sul America and Atlantica Boavista, and both are members of the group led by Brazil's largest bank, Bradesco. At the beginning of this year tha biggest of the remaining independent companies, Bandeirantes, followed the trend and became part of the same group, which now represents a formidable force in the insurance sector and elsewhere.

Through association with the Bradesco group the companies have entered areas outside the strictly financial arena, an example being Atlantica Boavista's association with the Brazilian subsidiary of the Swedish Telecommunications giant Ericsson for the installation of stored programme-controlled telephone exchanges in the country's biggest city, Sao Paulo. The contract was estimated to be worth $11m when awarded in 1979.

The development of the financial conglomerates and their increasing importance in insurance did not go unnoticed by IRB. In 1975 the State monopoly on international reinsurance was broken on the Institute's initiative when it formed a pool of companies to enter this lucrative market. Members are Bandeirantes, Vera Cruz, the Cia Uniao de Seguros and the Cia de Seguros do Estado de Sao Paulo, the last two being companies belonging to the States of Rio Grande do Sil and Sao Paulo respectively.

Underwriting is shared equally by the four members, with this year's total coming to $30m. In addition, a number of other companies have since been given permission to operate in the international reinsurance market.

Although insurance still only represents 1.1 per cent of Brazil's Gross Domestic Product (CDP)—which in itself points to a vast area still untapped in the Brazilian market—compared with a figure of around 5 per cent for developed countries in Europe and North America, the rate of growth has been consistently higher than the national growth rate. As Sr. Clinio Silva, president of the National Federation of Private Insurance Companies, explained: "Since 1975 the accumulated expansion of GDP was 28.7 per cent, giving an annual figure of 6.5 per cent. The rate for the insurance sector was 42.7 per cent, an annual average of 9.3 per cent."

Sr. Julio Bierrenbach, a director of the Brazilian Insurance Company, added that this year the story will be different. "In 1980, with inflation currently running at 107 per cent, it will be the first year in many that we shall have a growth rate for the sector below that of the national economy."

**Rik Turner**





# China takes steps to gain knowhow

THE OPENING-UP of China to foreign trade, investment and tourism is not just quantitative change — it is equally qualitative. Part of that qualitative change is a growth in the complexity of commercial relations and China has been quick to spot those areas such as reinsurance will grow more rapidly than commerce itself. To meet the challenge China has moved to expand its channels of communication with overseas insurance markets so as to gain experience and enable it to send personnel overseas to work with foreign brokers and companies.

A major part of the learning process is the establishment of new reinsurance companies in which China has a stake along with experienced foreign parties. In Hong Kong, China has helped set up East Point Reinsurance Company, in which Jardine Matheson, C. T. Bowring and the Hong Kong and Shanghai Banking Corporation all have stakes. China's 10 per cent participation is through Ming An Insurance Company. Ming An is actually a Hong Kong company and its shares are held by its directors. But with modest understatement it describes itself as being in "close association with China."

China's main Peking-based insurance company is the People's Insurance Company of China.

Chinese interests are also preparing to take stake in a new reinsurance company to be set up in Singapore, and in another, probably in the U.S. in conjunction with an American international group. Although China will pass business through these companies and hope to earn profits from them, their main purpose from the Chinese side is to act as a vehicle for getting to know the market. From the foreigners' point of view there is the prestige and, it is hoped, business potential of being in partnership with China, albeit indirectly.

## Boosted

Even during the darkest days of the Cultural Revolution there has been some contact between China and international reinsurance markets, notably London. It has been mainly concerned with reinsurance of marine cargo and aviation liability. This business is growing rapidly, though from a miniscule base. It will be particularly boosted by the rapid expansion of China's merchant fleet and international commercial aviation activity.

The introduction of foreign investment into China has raised questions about the nature of local insurance in China and the extent to which the People's Insurance Company may want to lay off some of the foreign liability it may thus acquire.

Other possible areas include reinsurance of liability for foreign contractors operating in China. China may also, to protect its foreign exchange earning capacity, want to lay off some accident and fire risk associated with its huge purchases of foreign plant and machinery, even where foreign liability is not involved.

So far, much commerce with China is done on an ad hoc basis. If unforseen problems arise they are settled by goodwill and negotiation. This approach will not be replaced by a formal, legalistic Western style of commercial relationship.

But the growth of business and the change in Chinese attitudes will bring about a more formal approach by China. That must mean that insurance and reinsurance will gradually assume much more significant proportions.

**Philip Bowring**



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POLAND AFTER GIEREK

# The Party puts a policeman in charge

POLAND'S new leader now faces a difficult task consolidating a ruling party which is in danger of losing confidence in its ability to function after the trauma of recent events.

The choice of Mr. Stanislaw Kania as Mr. Edward Gierek's successor is itself an indication that the Communist Party apparatus is in deep crisis.

For Mr. Kania, who has been a party functionary for the whole of his career and most recently was in charge of internal affairs including the secret police, has in no way been chosen for his popular appeal. Although he repeatedly told the authorities that they must not use force against the strikers in Gdansk as that would end in a general strike and disaster for the party, such recent pragmatism should not be confused with his natural instincts as a party functionary of over 30 years standing.

As for the manner of Mr. Kania's appointment, although in normal times Poland's official, party controlled press stirs little excitement in its sceptical leadership, once Polish Radio had announced on Saturday morning that the nation had a new party leader, queues immediately formed at the news stands. Once the papers did arrive, however, they had little to say about why Mr. Kania was the man who had actually emerged as Mr. Gierek's successor.

It is different within the party, where the authorities have just come through two months of strikes and industrial unrest. Mr. Gierek's heart failure on Friday symbolises the strain.

The final blow came last week when widespread strikes started in Silesia, Poland's most important industrial district and Mr. Gierek's power base. Silesian miners and steelworkers, it was always thought, were loyal to the party, worked hard and did not go on strike. Once they did strike no one could doubt the depth of the crisis.

**Christopher Bobinski, in Warsaw, writes about the crisis which has produced Poland's new leader, and, with Anthony Robinson in London, looks back on Mr. Kania's career**

Now the party badly needs to be told as it was on Friday in Parliament by Mr. Andrzej Zabinski, who has become a Politburo member, that "the absolute majority of our leading cadres are competent and honest men who enjoy the confidence of the people."

Mr. Kania who over the past few weeks has been one of the few men still actually taking decisions now has the job of turing that statement into reality. For Mr. Gierek had used up his credibility as a party leader and the nation came to ignore his appeals for a return to work. The sense of drift in the leadership over the past few days was becoming dangerous. Once Mr. Gierek fell ill Mr. Kania saw that the time had come to oust him.

If the party has run to Mr. Kania to infuse it with the self-confidence which it lacks then he also has the trust of the Russians. Anyone who is in charge of internal affairs in Poland must be well known to Moscow and it is now clear that the last thing the Russians want is to have to openly intervene in Poland.

Recent hard currency loans extended by the Soviet Union to Poland show that their instinctive reaction is to turn to butter rather than guns in the present situation. They have watched the way that the economy has been slowing down in recent years with growing concern and their horror mounted during the wave of strikes.

They blame Mr. Gierek for letting things slip and this is why Mr. Kania won their backing when he presented himself as prospective leader.

The Russians trust that Mr. Kania will not embark on any dangerous ideological experiments but they know as well as he that reforms in the way the country is run must be introduced because otherwise the economy would come grinding to a halt. And they share Mr. Kania's realism.

It was Mr. Kania who kept telling the authorities that they must not use force against the strikers. It is Mr. Kania who is reported to have told the central committee meeting last week which gave the go ahead for independent trade unions that "even though this was a step to the right, better that than a step over the precipice."

In his first speech as party leader Mr. Kania underlined that the authorities would cooperate with the new unions. Also the fact that Mr. Kazimierz Barcikowski who negotiated the agreement for independent unions with strikers in Szczecin has been promoted and Mr. Jagielski who was in Gdansk has become the First Deputy Prime Minister shows that for the moment the agreement stands. Advocates of reform like Tadeusz Grabski were also promoted in the latest reshuffle.

Although Mr. Kania has been realistic in his attitude to the strikers, his sharp attack on "anti-socialist forces" in his first speech shows that he is no liberal and that Poland's dissidents can count on no respite. Given the chance ha would no doubt turn to bard line conservative policies. Certainly once the party regains control he will work to rebuild its monopoly of power.

Faces of power and anticipation—Mr. Kania (left), and workers reading the edition of the newspaper announcing his appointment

But for the moment there is ferment in the country. People have had enough of shortages in the shops and the waste of time and materials in the factories. The working class is slowly but surely organising itself into independent trade unions. Intellectuals are beginning to speak out in favour of reform. Disillusioned rank and file party members are demanding a democratisation of the party. Outspoken speeches criticising the past and demanding a better future in parliament last Friday by deputies who were all hand-picked by the authorities show that the leadership will come under considerable pressure for change.

Mr. Kania by virtue of his previous responsibilities should be better informed than anyone else of the real mood in the country.

The first real reaction to the news of his appointment was that the party had chosen a policeman for the top post.

Yet in Gdansk during the strikes he told a party meeting that the crisis must be solved "with political means because we have none other at our disposal." It was a statement of fact not a political declaration.

## Portrait of a survivor

THE EMERGENCE of Mr. Stanislaw Kania as Poland's new party leader demonstrates once again the mysteriousness of the process by which leaders are chosen in the secretive and close-knit inner circles of Communist power brokers.

This stocky 53-year-old of peasant origins has been close to the centre of power since 1975 when he became a member of the party politburo in charge of internal security. But, unlike Mr. Edward Gierek who built up a powerful political base in his native Silesia before usurping Mr. Wladyslaw Gomulka in 1970, his name was hardly known to the majority of Poles before being nominated party secretary on Saturday night.

This is partly due to the nature of the task he has performed so diligently — that of keeping a tight rein on the discontent which has been mounting in Poland since 1976. Party control over the internal security apparatus is traditionally one of the most important positions in Communist countries. The holder of such a position is, almost by definition, a man enjoying the unquestioned confidence of the party itself, and what is even more important, the confidence of Moscow.

Mr. Kania was born on March 8, 1927, to an impoverished peasant family in a small village in the Rzeszow province of South East Poland.

He was only 12 when war broke out and three years later he went to work in a local blacksmiths. He joined the Communist Party in April 1945.

In the early 1950s, during the height of the Stalinist period, he spent two years at the party school and then made the important move to Warsaw where he joined the central staff of the youth movement.

It was as a senior official of the youth movement that he experienced Poland's first major explosion of popular discontent in October 1956—an outbreak which was contained in Poland but subsequently spread, with tragic consequences, into neighbouring Hungary.

Two years later he became an official in the Warsaw district party organisation, traditionally a recruiting and proving ground for the higher echelons of party power.

In 1968—a year of student unrest followed by an outbreak of anti-semitic nationalism within sections of the party—he became head of the administrative department which is the party equivalent to the Interior Ministry. From here it was a logical progression to the post of party secretary responsible for internal affairs in the new Gierek regime.

As such Mr. Kania became the man who had to administer Mr. Gierek's delicate policy of limited appeasement towards the powerful Catholic church on the one hand and an increasingly vocal and active dissident movement on the other. This policy came under the severest pressure in June 1976 when workers in Warsaw and Radom again rioted over the sudden sharp rise in meat prices.

Then, as in 1970, the first reaction of the authorities to this spontaneous outburst of violent resentment was to use oppressive means to crush the outbreak. But it was the suppression and jailing of workers at this time which led to the formation of the organised dissident movement in Poland dedicated to forcing the Government and party to rescind the sentences, and respect legal and human rights.

Eventually the regime was obliged to accede to these organised demands and release the arrested strikers.

Mr. Kania gained throughout these years an insight into the depth of opposition to the regime.

As the man ultimately responsible for the party's relations with the Catholic church he also learnt to respect its power, his voice may well have been instrumental in securing permission for Pope John Paul II to visit his native Poland last year. That visit was a huge success for the church—but tha fact that it passed off peacefully and without incident was also in its own way a major success for the kind of tough bargaining over principle, but concessions over detail which has been the hallmark of Mr. Kania's career so far.

# Letters to the Editor

## Reacting to change

*From Mr. A. Ball*

Sir,—Amid all the talk about the poor state of the economy and the welter of concern for the escalation in the number no longer gainfully employed, can we not pause and gaze in wonder at the tremendous good fortune that this nation has.

Note the abundant energy—the fact that we are one of the most inventive nations on earth—note too that our people are decent law ebiding folk who given the leadership can produce the prodnctivity necessary to capitalise upon the first two elements—note too the skill and experience we have accumnlated over the years. In truth this combination of priceless assets, if effectively deployed, would put this nation in a peerless situation notwithstanding other forces.

Therefore is there not a need to illuminata unflinchingly, the fact that the disposition of our managers is the base cause for these assets not being put to effective use? Management effectively deployed produces results.

I trust that our senior managers will not be angered by this assertion. There is no question of fault. There is undeniably the question that tha attitudes that have prodnced results beretofore, will not produce results in the future.

Sensitivity to events and a much greater use of curiosity and imagination will be necessary to prodnce the innovation, adventure and higher quality of endeavour all vital to the successful mastery of the rate of change now apace all over tha world. As things are we are being overrun by change and out-managed by executives elsewbere. It need not be so!

A. J. Ball.
*3 Gower Street, WC1*

## Commercial rents

*From Mr. R. Clarke.*

Sir,—Your leader "The squeeze on profits" (August 30) is undoubtedly right to draw attention to the danger of too high e proportion of the produce of industry being absorbed by wages to the detriment of profits (interest) on capital employed. Unfortunately like other commentators yon fail to mention that other element in the distribution of wealth—rent—the return paid to land and other forms of monopoly.

Britain prides herself on having a highly developed and professional approach to land and property but one result of this is that all commercial rents teud to be geared to revision every three or five years — always in an upward direction never downwards.

This arrangement ensures, especially in times of falling production and an appreciating currency, that an increasing proportion of such productiou is absorbed by payment in the form of rent leaving less and less to replenisb capital or reward labour.

The outstanding example of this is the increasing cost of energy (oil aud gas) which is largely a payment to monopoly rent. This has led and continues to lead to a massive maldistribution of world resources. But these other less advertised but ever present rental charges are eqnally and increasingly debilitating in their detrimental effect on the economy.

Mr. Heath's Government depreciated the currency but froze commercial and agricultural rents. Mrs. Thatcher's policy strengthens sterling but allows the benefits to be drained away by the rent monopolists. Unless an effective and more permanent way to deal with this aspect is fonnd by the Government, it is likely to go the same way as that of Mr. Heath but with more serious consequences to us all.

Richard C. Clarke.
*Sunflower Cottage,*
*Little London, Lechlade,*
*Glos.*

## Manufacturing tyres

*From the Director of Marketing, Uniroyal Englebert Tyres*

Sir,—I read with interest Mr. Barling's article (September 2) on the slimming down of the British tyre industry.

I would like to bring to your attention certain facts about Uniroyal Englebert Tyres within the UK which were not mentioned in tha article.

Uniroyal Incorporated sold off its tyre operation within Europe to Continental Gummi Werke AG, bnt Uniroyal Englebert Tyres Europe is very mnch a force within the European market and, indeed, within the UK. We produce tyres from our Newbridge plant in Scotland for the original equipment market and the replacement market in passenger, van and truck tyre ranges and employ over 1,000 people.

Our company manufactures these tyres still under the brand name of Uniroyal, but as en entirely separate operation from that of Uniroyal Incorporated, U.S.A.

The latest move by Continental to acquire Kleber-Colombes of France now makes the group of Continental/Uniroyal Englebert Tyres and Kleber-Colombes the second largest gronp within Europe.

By omitting Uniroyal Englebert Tyres and naming every other manufacturer member of the British Rubber Manufacturing Association and by linking Uniroyal Englebert Tyres with "others" including Comecon countries, the segmented chart implies that Uniroyal Englebert are imported tyres, which, as you will see from the above statements, is not the case.

The point which will always be contentious is that of market share with our increased penetration into the original equipment market and our continued success in the replacement market.

*M. W. Craddock*
Uniroyal Englebert Tyres.
*62 Horseferry Road, SW1*

## Measuring unemployment

*From Mr. N. J. Greenwood*

Sir,—The recently published figure of over 2m registered unemployed has understandably generated plenty of comment by the Press and others and comparisons are already being made with the 1930s. That unfortunate period in our history is now well over 40 years ago and there cannot be many people under 65 with mature first hand experience of the misery of that time.

The number of registered unemployed on a single day each month is well known to be a crude measure of unemployment. Without going to much further trouble the Government and the reports in the Press that follow could present the figures to the public in a more comprehensible form.

First, those who are registered as unemployed but have left school, higher education or training establishment within the last six months could be identified as a separate class of newcomers to the market.

Second, the number of registered unemployed not included above could be identified in, say, four categories by duration since registration, for example: first two months, second two mouths, third two mouths and over six months.

It would do nothing to help each person unemployed, but it might help to give a better idea to the public than the over-simple concept of a fixed group of over two million people being increased each month.

N. J. Greenwood.
*Lower Hill Road,*
*Epsom, Surrey.*

## Shopping for spectacles

*From Mrs. E. Hern*

Sir,—I refer to Devid Churchill's article on the cost of spectacles (August 30).

It is possible to "shop around" for one'a frames and lenses. I did this and discovered that lenses varied by as much as £12 and frames by as much as £20.

I found most opticians were only too willing to acqnaint me with tha prices of their lenses and frames, and only one refused because I had not had my sight tested there.

I must edmit, bowever, that if the optician who tested my sight had the frames I liked then I would not bave looked elsewhere, but I shall in the future. My advice is that "shopping around" is possible.

(Mrs.) E. E. Hern.
*Bay Tree House,*
*Billingborough, Sleaford, Lincs.*

## Women at work

*From Dr. E. Staveley*

Sir,—With unemployment in a rising trend it must be time seriously to question the very favourable treatment which is afforded to "working wives" by our present tax system. If one takes into account both the married woman's earned income allowance and the existing differeutial between the single person's and the married man's allowance, it is presently the case that the total personal allowances which may be claimed in respect of a married womau in paid employmeut (£2,145) amount to 56 per cent more than those which may be claimed in respect of any male (£1,375) and to an astounding 180 per ceut more than those which may be claimed in respect of a wife who elects to devote all her labours to the management of her household (£770).

This most anomalous of situations would scarcely be tolerable even if it could be argued, as no donbt once it could, that the attraction of married women into paid employment was an urgent social need. Today it is surely indefensible.

Although there will always be those wives who, whether through a sense of vocation or because they do not find domestic life wbolly satisfying, will seek eppropriate employment irrespective of any tax incentive, there are also many who take work for no other reason than that they, or in some cases their busbands, cannot resist the temptation of a substantial tax-free income. These essentially "unwanted" jobs not only unjustifiably aggravate the problems of genuine unemployment: they also have the undesirable social consequence of unduly tilting the balance in industrial disputes by enabling striking husbands to forgo their own income for long periods without suffering any serious hardship.

The abolition of the married woman's earned income allowance would yield substantial sums to the Exchequer. I am in no position to quote figures; but it is difficult to believe that these sums would fall far short of the amount required to raise tha allowance of every married conple to double that of the single person. Only when every adult citizen, male or female, in paid employment or otherwise, is afforded en identical personal tax allowance can true equity be served.

(Dr.) E. S. Staveley.
*Rhu na bidh, Shieldaig,*
*Strathcarron, Ross-shire.*

## Power to the people

*From Mr. W. Taylor*

Sir,—On September 4 you wrote of the "unions" being democratic in constitution only and "if Parliamentary elections were settled on a minority vote of activists, there would be calls for reform." In a General Election the majority of votes cast count for nothing. I live in an area where a rabbit with the right ribbon would win. Could it be that wa might be in less of a mess if government was more representative of pnblic opinion and not subject to extremes of view—held by small minorities fro mthe left or right (even centre — if that were possible).

I look forward to the day when each vote does count—should the votes be in red or blue Britain (even neither).

W. J. B. Taylor.
*Home Farm, Abberton,*
*Pershore, Worcestershire.*

## Commuting problems

*From Mr. A. Jones*

Sir,—Is it not time that the vast conglomerate of employers in, for instance, south east England and particularly Inner London, assumed some responsibility, or negotiated for participation in the operation of commnter services.

Such services are very uecessary tools of their trade, whether commercial or industrial. Yet, it is left to commnter associations, with relatively no power to try to obtain improvements. It shonld be realised that commuter services are deemed to exist at employers' behest.

A. J. Jones
*64, Brookside Crescent,*
*Cuffley, Potters Bar, Herts.*

# Today's Events

**GENERAL**

UK: Liberal Party assembly cootinues, Blackpool.

Ergonomics and Transport confereoce opens, Swansea (until September 12).

Centre for Policy Studies statement oo pensions and index linking.

International Hardware Trades Fair continues (trade only), Olympia (until September 12).

Freight Transport Association tachograph semioar, Harrogate.

Ephemera 80 exhibition opens, Keosington Town Hall.

Yachting: Contender World Championships Hayling Island; Fireball European Championships, Lyme Regis.

Lord Soowdon, David and Harry Secombe take part in thanksgiving service for Peter Sellers, St. Martin-in-the-Fields, Trafalgar Square, 11.30.

Sectioo of the Employment Act coming into force today include: exclusion from trade union membership, compensation, union liability for compensation, action short of dismissal, picketing, sympathetic industrial action, and acts to compel trade union membership (sections 4, 5, 10, 15, 16, 17, 18).

Overseas: Political leaders meet for full-scala conference oo Canada's constitution

**OFFICIAL STATISTICS**

Department of Trade publishes details of hire purchase and other instalment credit business for July; and issues July final figures of retail sales. Department of Industry issues August provisional wholesale price index numbers.

**COMPANY MEETINGS**

See Financial Diary on page 16.

Final dividends: Matthew Clark and Soos Holdings. Melody Mills. Murray Caledonian Investment Trust. Interim dividends: C. D. Bramall. BTR. Loodon United Investments. Metal Closures Group.

**LUNCHTIME MUSIC, London**

Piano recital by Gillian Spragg, St. Lawrence Jewry, Gresham Street, 1.00 p.m.

Organ recital by Margaret Phillips, St. Michael's Cornhill, 1.00 p.m.

# Bertam Consd. little changed

After crediting replanting cess refunds on a cash received basis of £17,710, against £47,084, and charging replanting provision of £40,503, compared with £21,510, pre-tax profits of Bertam Consolidated Rubber Co. were virtually unchanged at £577,144 for the year ended March 31, 1980, against £583,397.

Turnover improved to £1.73m (£1.58m) and the dividend is effectively raised to 0.8p (0.76p) net per 10p share. Earnings are shown to have slipped to 1.58p (1.67p) per share.

Profits for the year included associates' share of £73,582, against £60,736, and was subject to tax totalling £260,898 (£248,856).

There was a net gain on investment and fixed asset disposal amounting to £7,378, compared with £4,546.

## Prof. Smith reduces commitments

Professor Roland Smith, recently appointed deputy chairman of House of Fraser Group, is continuing to reduce his other business commitments and has resigned three more directorships. He has left Spectron Holdings, Armanol and Moracrest after being involved with the three privately-owned companies since their formation.

Professor Smith recently resigned from Owen Owen, Record Ridgeway, and Unicorn Industries.

## Longton feels effect of recession

The considerable deepening of the recession has had a serious effect on the trading profits of Longton Industrial Holdings in the first five months of the current year, Mr. A. J. Dale, chairman, tells shareholders in his annual statement.

Under current conditions it is impossible to give any indication of the outcome for the year. Measures have already been taken aimed at reducing costs and preserving cash resources.

As reported on August 8, pre-tax profits of the group, whose activities include road transport and haulage, steel stockholding and engineering supplies, rose to £1.92m (£1.65m) or £1.27m (£1.17m) on a CCA basis.

# Inspectors appointed at Euroseas Securities

Trade Secretary Mr. John Nott has appointed Mr. Michael Andrew Flemyng Lyndon-Stanford and Mr. Brian Allen Kemp as inspectors pursuant to section 165(b) of the Companies Act 1948, to investigate and report on the affairs of Euroseas Securities (in liquidation).

Mr. A. R. Houghton, of Touche Ross and Co, chartered accountants, was appointed liquidator of Euroseas Securities, a private company, on 8 May 1980, following a resolution for voluntary winding up. No declaration of solvency has been filed.

## HAT chief optimistic for year

There was a "better than even chance" that HAT Group, which supplies specialist services and materials to industry, would make further progress in the current year, Mr. Alfred Telling, chairman, told members at the annual meeting.

For the whole of the 1979-80 year pre-tax profits advanced from £2.62m to a record £4m, results including Glass and Metal Holdings from April, 1979.

### ROBERT FLEMING

Robert Fleming Holdings announces the formation of an insurance broking subsidiary to be called Robert Fleming Insurance Brokers Limited. The company will have an initial capital of £1m. Directors and senior executives of the new company will have a significant shareholding.

**SPAIN**

| 1980 High | 1980 Low | | Sept. 5 Price % |
|---|---|---|---|
| 246 | 203 | Banco Bilbao | 228 |
| 261 | 217 | Banco Central | 261 |
| 220 | 203 | Banco Exterior | 210 |
| 231 | 200 | Banco Hispano | 229 |
| 137 | 117 | Banco Ind. Cat. | 120 |
| 175 | 141 | Banco Madrid | 141 |
| 282 | 237 | Banco Santander | 265 |
| 190 | 136 | Banco Urquijo | 136 |
| 240 | 208 | Banco Vizcaya | 240 |
| 220 | 200 | Banco Zaragoza | 220 |
| 123 | 75 | Dragados | 109 |
| 73 | 58 | Espanola Zinc | 70 |
| 66.0 | 63.2 | Fecsa | 63 |
| 40 | 23.2 | Gal. Preciados | 33 |
| 71.7 | 58.7 | Hidrola | 68 |
| 68.2 | 57.9 | Iberduero | 63.50 |
| 120 | 100.7 | Petroleos | 111 |
| 92 | 59 | Petroliber | 80 |
| 115 | 107 | Sogefisa | 107 |
| 65.6 | 51.5 | Telefonica | 61.50 |
| 69.3 | 58.2 | Union Elect. | 68.20 |



## Garford-Lilley in strong position

Having built up its reserves and improved its plants, Garford-Lilley Industries is in a strong position to survive the present difficulties and to continue in profitable business, says Mr. Trevor Williams, the chairman, in his annual statement.

Although continued progress was achieved in the 1979-80 trading year, Mr. Williams says it would be optimistic to expect this to continue in the immediate future, considering the recession in trade both in the UK and abroad.

However, there should be a demand for the group's products for many years to come, he states.

Last year, pre-tax profits of the group, whose interests comprise engineering, plastic extrusion and moulding and wood-working, improved from £436,373 to £521,746 — as reported August 7. Turnover was ahead at £6.18m (£5.04m).

At balance date, shareholders' funds had improved from £1.77m to £1.84m.

Meeting, Great Northern Hotel, N, September 26, 11.30 am.

## Lanca falls to £50,847 in half-year

With turnover down from £1.05m to £844,500, taxable profits of Lanca, manufacturer and wholesaler of ladies' handbags, declined to £50,847 in the six months to June 30, 1980, compared with £95,373 for the same period last year.

In his annual report for 1979, Mr. Eric Binns, the chairman, said prospects for the current year were somewhat disappointing after the continuing growth of previous years. Turnover, he added, had fallen following a general downturn in retail sales of fashion goods and associated accessories, and operating costs had increased in line with inflation.

Pre-tax figure for the half year was struck after an extraordinary debit of £8,933 (nil) and subject to a marginally increased tax charge of £26,500 (£24,500). Six-monthly earnings per 20p share are given as 2.21p (4.44p). There is again no interim dividend. For the whole of the previous year 2.4p net was paid from taxable profits of £189,000.

Operating surplus for the six months shows a drop to £41,798 (£71,791). Bank interest received amounted to £18,934 (£5,130) but unsecured loan stock interest took £897 (£1,548).

# Webb expects improvement

Mr. J. M. Webb, chairman of Joseph Webb and Co., is hoping for an overall increase in profits for the estate development, property investment, holidays and entertainment group for the year ending March 31, 1981.

In his annual statement, the chairman says a very good level of return bookings continues from previous visitors to the holiday villages and caravan parks which must be a measure of confidence shown in the facilities and service provided.

As reported on August 14, pre-tax profits moved ahead from £528,483 to £581,428 in the year to March 31, 1980. Group turnover for the year improved from £3.99m to £4.39m.

The final dividend was effectively raised from 0.3827p to 0.4308p for a total of 0.5621p (0.49862p adjusted). A one for 10 scrip issue is also proposed.

Shareholders' funds stood at £3.44m (£3.04m) at March 31. Loans totalled £1.79m, compared with £1.84m, and bank overdraft amounted to £441,537, against £267,688.

Meeting: Dudley, September 26, at 12 noon.

## Marling sees 'creditable results'

"THE IMMEDIATE outlook in the UK may not appear too bright, but the company is soundly based . . . and with most of our companies maintaining their position and order books, I am confident that we will continue to produce creditable results," Mr. Louis Courts, chairman, tells shareholders of Marling Industries in his annual report.

The substantial capital expenditure programme of the last few years, he adds, has been completed and has yielded the anticipated savings from improved efficiency—particularly from diminished space usage.

The chairman says the company is now in a position to reduce its working capital needs and has made positive moves in this direction by the elimination of peripheral activities and low margin business. "We are not planning any increase in borrowing levels in the near future," he adds.

As announced on July 17, the company, which manufactures industrial textiles, made taxable profits of £1m (£1.3m) in its last financial year to March 31, 1980. Shareholders' funds increased to £3.77m (£3.57m) as did bank overdrafts from £2.17m to £2.53m. Loans amounted to £1.36m (£1.08m).

Meeting: Charing Cross Hotel, WC, September 26, noon.

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—BTR, C. D. Bramall, Carlton Industries, London, United Investment, Metal Closures.

Finals:—Matthew Clark, Melody Mills, Murray Glendevon Investment Trust.

FUTURE DATES

Interims:—

| | |
|---|---|
| Aurora | Sept. 23 |
| Bemrose | Sept. 17 |
| Bilton (Percy) | Oct. 6 |
| Ofrex | Sept. 16 |
| United States Debenture Corp. | Sept. 17 |

Finals:—

| | |
|---|---|
| Armstrong Equipment | Sept. 24 |
| Second City Properties | Sept. 18 |

## Exeter Bldg. advances at midterm

On turnover up from £6.22m to £9.8m, taxable profits of unlisted Exeter Building and Construction Group doubled in the first half of 1980 to £196,000 compared with the corresponding period in 1979.

At the annual general meeting in June, the chairman said results for the first part of 1980 had done little but break even, but significant progress had been made on a number of major contributions which should make 1980 a very worthwhile year.

He now says the company has consolidated a good forward order book in the face of gathering economic gloom and poor national forecasts for construction. "We face the future with considerable strength and confidence," he adds.

The directors expect combined results for 1980 to resemble aggregate figures for the previous year.

A number of recent and current property developments will assist future results when they are realised, but the board cannot be sure when these accruals will be brought into the accounts.

The interim dividend for the half-year is increased by one-third to 2.5p.

For the year to end-December, 1979, the group made taxable profits of £565,000.

## BIDS AND DEALS

### Brengreen pays £0.24m for Jobmart

Brengreen (Holdings) has bought Jobmart and Jobmart (North) for £235,000, of which £160,000 will be satisfied in shares.

The Jobmart companies are industrial and commercial contract cleaners, their largest customer being the Tesco group.

### KWIK-FIT ISSUES SHARES FOR FIRESTONE PURCHASE

Kwik-Fit (Tyres and Exhausts) announced yesterday that £3.12m of its consideration for its purchase of the 180 tyre and exhaust retail fitting depots from the Firestone Tyre and Rubber Company will be satisfied by the issue of 4m new shares.

The price of the new 10p shares is to be 73p each and have been placed with institutional clients of Edinburgh Financial and General Holdings.

Kwik-Fit paid £3.26m for the Firestone depots. Following the issue of the new shares, Atlantic Assets Trust will hold 3m ordinary of Swik-Fit (7.4 per cent of the enlarged capital), after acquiring 1.3m shares.

### HUYCK ACCEPTS BTR OFFER

BTR Fabrics (U.S.A.) Inc., an indirect wholly-owned subsidiary of BTR, has received acceptances from holders of more than 90 per cent of the share capital of Huyck Corporation, following its offer to purchase. The offer has been extended until September 12.

The cash offer of U.S.$25.12 per share, together with outstanding options and costs, amounts to U.S.$155m, which will be financed by BTR through U.S. dollar borrowings.

Any shares not purchased in the tender offer will be acquired compulsorily.

Huyck is the parent company of an international group which manufactures fabrics and felts and a range of other equipment used in paper-making, and for industrial use. It has five factories in the U.S. and in Canada, Brazil, UK, Austria, Australia and Japan.

Huyck's sales for the half year ended June 30, 1980 totalled $75.9m ($65m) with net income of $5.4m ($4.0m). 1979 full year net income of $9m was derived from sales of $84.8m.

### MANESTY MACHINES

Manesty Machines, a subsidiary of Renold, has acquired a majority shareholding in Howard Brown Engineers, a small company at Prescot, near Liverpool.

Howard Brown is engaged in process plant design and manufacture, specialising in powder handling systems for the food and confectionery industries, which are complementary to those activities presently undertaken by Manesty Machines.

### ASSOCIATE DEAL

On September 4, 1980, S. G. Warburg bought on behalf of Grand Metropolitan 100,000 ordinary 10p shares of Coral Leisure Group at 90½p. Grand Metropolitan has bid £81m for Coral.

## RESULTS AND ACCOUNTS IN BRIEF

AERONAUTICAL AND GENERAL INSTRUMENTS—Results for year ended March 31, 1980, reported July 23. Shareholders' funds £2.66m (£1.93m). Bank balances, deposits and cash £4,712 (£107,946). Bank overdraft and loan (secured) £65,203 (£280,063). Historic pre-tax profit of £500,956 (£337,684) reduced to £219,898 (£155,801) on CA basis. Auditors say £40,450 due from Heritage Engineering is included in debtors and company has also guaranteed certain liabilities of Heritage up to maximum of £20,000. They have been unable to satisfy themselves as to recoverability of debt or extent to which liabilities may arise under guarantees. Meeting, Croydon, September 30, noon.

ARMITAGE AND RHODES (furnishing fabrics)—Results for March 31, 1980 year already known. Shareholders' funds £1.57m (£1.54m). Loan capital £72,000 (£82,000). Bank overdraft £440,542 (£6,180). Chairman says he is hopeful the company will remain profitable in current year, but is unable to make any forecast. He remains confident group will emerge from recession with greater opportunities for profit and expansion. Shares traded in market made by MJH Nightingale and Co. Meeting, Calder Vale Mills, Ravensthorpe, October 3, 3 pm.

BENN BROTHERS (publisher)—Results for year to June 30, 1980, and prospects reported August 7. Shareholders' funds £3.77m (£3.43m), net current assets £1.44m (£2.29m), bank balances and cash £261,000 (£64,000), capital commitments contracted for but not included in the accounts £1.41m (£76,000), including the estimated cost of completing new premises. Contingent liability: if the sum of £226,000 paid in 1978 to augment redundancy payments were disallowed by the Inland Revenue as a deduction for tax purposes, an additional tax charge of £117,000 would arise. Meeting, 25, New Street Square, EC, September 25, 11 am.

BROWN BROTHERS CORPORATION (vehicle component distribution and engineering)—Results for year ended June 30, 1980, reported August 28. Shareholders' funds £19.35m (£16.77m). Bank overdrafts £4.8m (£4.33m), mortgage loans £143,000 (£177,000), unsecured loan stock £2.45m (same). Ultimate holding company is Dana Corporation of the U.S. Meeting, Great Eastern Hotel, EC, September 25, noon.

BLACKMAN AND CONRAD (children's, ladies and industrial wear)—Results for year to January 31, 1980, already known. Shareholders' funds £2.05m (£1.84m). Stocks and work in progress, £2.58m (£2.79m). Bank advances £1.06m (£1.27m) secured. Chairman says sales of freehold properties surplus to requirements being pursued with vigour. Company remaining profitable in current year through increased productivity though margins are being maintained with difficulty, he adds. Meeting, Bonnington Hotel, WC, September 29, noon.

DAVID NIXON AND SON (LEEDS)—Woollen cloth manufacturer—Turnover year to March 29, 1980, £2,354,749 (£2,786,967). Net loss £482 (profit £99,197), after tax £5,266 (£122,425). Loss per share 0.83p (earnings 11.25p). No dividend (9.8p).







## COMPANY NOTICES



## PUBLIC NOTICES



## CLASSIFIED ADVERTISEMENT RATES



## LEGAL NOTICE



## CLUBS

# INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILÈS

## Sweden slips through the window

LAST WEEK brought a smile back to the face of more than one bond dealer: interest rates dipped—the six month Euro-dollar rate fell by ½ to 12 per cent—and the volume of trading improved noticeably, from the low levels seen during most of last month.

This renewed optimism did not lead to any speculation that a large new issue window was about to fly open in the fixed interest rate sector of the dollar market, where the only issue launched was a $150m 5-year bond for the Kingdom of Sweden, managed by S. G. Warburg. This paper should be placed quite easily as, quite apart from the quality of the name, it is being offered on a yield basis. Last week the lead manager indicated a range of 13.20-30 per cent, but this yield could be increased or decreased if the market moves sharply in one direction or the other during the offering period.

The only other new issue was a $15m convertible for Digicon, managed by Schroeder Wagg.

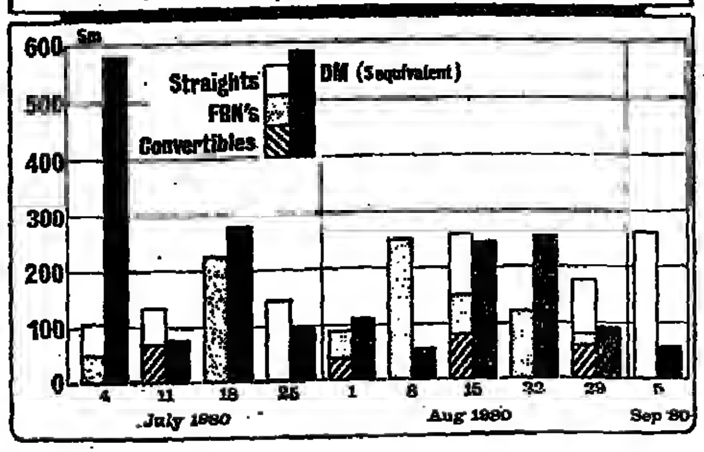
The launching of this new convertible confirms, as does the increase in the $25m convertible on offer for Oak Industries to $35m, the attraction that medium-sized technology and natural resources U.S. companies hold for the European investor.

Not all new issues enjoyed a smooth launching however and Fuqua ran into trouble with figures showing that, in July, this U.S. company lost money for the first time in many years. The news resulted 10 days ago in the signing of the $50m FRN for this borrower being delayed to last week. When the ink was dry, two banks which had initially jointed as managers, Algemene Bank Nederland and Dresdner Bank were no longer there. The Fuqua notes do not appear to have sold well.

An FRN issue for Banco Serfin, a privately owned Mexican bank, is expected later this month.

Though trading volume in the secondary market for straight dollar bonds was more buoyant last week than during much of last month, much of the activity appears to have been confined to swaps between different Euro-bond issues and between Euro-bonds and Yankee or U.S. Treasury bonds. Prices moved up by about 1½ points on the week, particularly at the longer end. The 11 per cent EEC bond to 1995 moved up 2½ per cent to close last Friday at 88½ per cent.

VOLUME OF NEW ISSUES




A rise in the prime rate of two leading U.S. banks last Friday, by a full ½ per cent to 12 per cent, and news of a 1½ per cent rise in wholesale prices in August had little lasting effect on prices which closed virtually unchanged on the day.

However, as Kidder Peabody's Weekly Telex to investors points out, those investors who "are tempted to place additional funds in the bond market should remind themselves of the Walter law of management which says that if you are already in a hole there is no use in continuing digging."

Deutsche Mark and Swiss Franc bonds had a mixed week with prices ending virtually unchanged despite some heavy falls earlier on.

The German Capital Markets Sub-Committee trimmed the new issue calendar for September down to two issues amounting to DM 350m. Since the Bundesbank failed to reduce German interest rates last month, as most foreign investors buying D-Mark foreign bonds had anticipated, the flow of buying from outside Germany has virtually dried up.

Uncertainty about the course of U.S. interest rates has also taken its toll in both the major hard currency sectors which are quieter than they have been for a long time. The only new issue launched last week in the D-Mark sector was a DM 100m for Nuclebras through Deutsche Bank.

This issue, which was delayed the Friday before last, offers a coupon of 9½ per cent. But, if the effects of the tax treaty between Brazil and Germany are taken into account, as well as various provisions concerning capital gains tax in Germany, investors could get a return as high as 13.6 per cent on these bonds. This may explain why the lead manager placed them without great difficulty.

The two other D-Mark foreign bond issues which were postponed at the end of August are unlikely to be brought back to the market quickly.

In the secondary market, the only seasoned issues which found some favour with investors were those for good quality names yielding between 8.25-8.50 per cent. By and large, trading volume was very thin.

### CURRENT INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead Manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| ‡**General Motors O'seas Fin. NV | 100 | 1985 | 5 | 11 | na | CSFB | na |
| †‡Fukuu O'seas Fin. NV | 50 | 1987 | 4.1 | — | 100 | Chemical Bank | — |
| §Minolta Camera Co. | 30 | 1995 | 15 | 7 | 100 | Daiwa (Europe) | 7.123 |
| ‡§Oak Industries Ind. NV | 35 | 1995 | 15 | 8½ | 100 | Smith Barney Harris Upham | 8.500 |
| †Long-term Credit Bank of Japan | 25 | 1988 | 8 | 5¼ф | 100 | Daiwa (Europe) | 5.319ф |
| Digicon Inc. | 15 | 1995 | 15 | 8½ | * | Schroder Wagg | * |
| Kingdom of Sweden | 150 | 1985 | 5 | * | * | S.G. Warburg | * |
| **D-MARKS** | | | | | | | |
| ‖RENFE (g'teed Spain) | 001 | 1988 | 8 | 8½ | * | WestLB | * |
| ‡**§Nippon Paint Co. | 40 | 1988 | 8 | 6½ | 100 | BHF Bank | 6.348 |
| ‡Nuclebras (g'teed Brazil) | 100 | 1988 | 8 | 9½ | 100 | Deutsche Bank | 9.750 |
| **FRENCH FRANCS** | | | | | | | |
| Tradinvest Bank and Trust Co. of Nassau (g'teed ENI) | 120 | 1985 | 5 | 13½ | * | Caisse des Depots, Dean Witter, aSciete Generale | * |
| **SWISS FRANCS** | | | | | | | |
| ‡**Siwatani | 30 | 1985 | — | 5½ | 100 | Credit Suisse | 5.375 |
| ‡Trade Development Fin. Services Curacao | 50 | 1990 | — | 6½ | 100 | Bank Hofmann | 6.125 |
| ‡**§Kyowa Hakko Kogyo | 50 | 1985 | % | 5¼ | 100 | UBS | 5.250 |
| **UNITS OF ACCOUNT** | | | | | | | |
| ‡Kommunlane Institutet | 8.5 | 1990 | 5.5 | 9½ | 100 | Kredietbank (Luxem.) | 9.500 |
| **YEN** | | | | | | | |
| ‡EIB | 15bn | 1992 | 10.74 | 8.6 | 99.40 | Yamaichi Securities | 8.870 |
| **KUWAITI DINARS** | | | | | | | |
| ‡City of Oslo | 7 | 1990 | 10 | 9½ | 99½ | KIIC | 9.369 |

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ф Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ‖ Postponed. Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

## Brazil fights back on spreads

BRAZIL APPEARS to be making a determined effort to ward off market pressures for higher margins on its euro-market borrowings. It is understood to be arranging a further credit with a 1⅞ per cent margin over eight years.

The borrower is the electricity utility CESP and the credit is expected to be brought to the market by Societe Generale.

It will follow the $150m credit now in syndication for Siderbras, which also bears a 1⅞ per cent margin and has met with a cool response from the international banking community, prompting speculation that margins would have to rise again.

However, Brazil seems to be arguing that a further increase in spreads would only draw attention to the deterioration in its credit rating without necessarily yielding any extra finance. With the CESP deal it is opting for an unchanged spread, but the amount of the credit is being kept down to only $100m. It forms part of a package that also includes a $100m tranche of export credit to be provided by French banks.

Conditions on this second tranche are not yet known, but it should prove very lucrative for French banks, offsetting to some degree the tight pricing of the tranche for general syndication.

Meanwhile the Brazilian authorities have raised the permitted margin on borrowing abroad by commercial banks to 1⅞ per cent from 1⅝ per cent. This suggests that they hope to continue to raise large amounts of finance through this, often discreet, avenue even if the market for public sector syndicated credits remains very slow.

Elsewhere in Latin America, Argentina's oil concern YPF has begun soliciting bids for a $300m credit. Pricing of the deal will be watched very closely in the euromarkets after the faltering initial reception accorded to latest Republic borrowing with its split margin of ⅝-⅞.

The Republic of Venezuela has raised a DM 350m credit from German Girozentrale banks under the leadership of WestLB. Interest is fixed at 8.65 per cent over 10 years with five years grace, an unusually long maturity for Venezuela.

The $150m, three year bullet credit with a margin of ⅝ per cent for Banco Industrial de Venezuela has been substantially oversubscribed and the amount is to be increased. Morgan Guaranty is the Agent bank.

Conditions for the $250m Eurocredit for the Republic of South Africa have still not been finally settled. Credit Commercial de France has joined the lead management group which hopes to put the borrowing into general syndication within the next two or three weeks.

In Eastern Europe UBAF hopes to receive a formal mandate next week to raise between $50m and $100m for the Deutsche Aussenhandelsbank of East Germany on an overall yield of about ⅞ per cent.

Meanwhile the change in leadership still leaves banks apprehensive over developments in Poland despite the slight relief afforded by the news that the country has received a hard currency credit from the Soviet Union. The banks themselves do not expect to provide any further medium term finance beyond that already foreseen this year, and if Poland does face a hard currency shortfall as a result of the strikes, the gap will have to be met through government assistance from either Eastern or Western countries, bankers say.

The prime-based credit for Italy's ENEL has been a resounding success even before syndication begins. It is virtually certain to be raised to $500m from an original $300m. Syndication is expected to begin around mid-month. The credit bears a split margin over prime of ⅝-½ for eight years and is being led by Bankers Trust.

The seven year credit for Italy's regional development agency Isvelmer has also been raised to $130m from $100m originally. The credit bears a margin over Libor of ⅝ per cent and Ste Europeenne de Banque is agent.

Elsewhere banks are gearing themselves up to provide funds to a rare name in the market. The Central Bank of Cyprus is reported to be inviting bids for $75m credit which will be difficult to price as it is an unusual borrower that offers little other commercial business to international banks.

U.S. BONDS

BY IAN HARGREAVES

## Promoting orderly growth

NEW YORK bond traders, in the absence of any new business, tried to cheer themselves up last week by marging up prices in the hope that they might draw from the woodwork a few of the estimated $4bn worth of issues which have been postponed in recent weeks because of the run up in interest rates.

Fresh from the Labour Day holiday, the gambit looked like working for a couple of days and one company, Union Pacific was duly lured.

The railway and natural resources company, came to market with its long planned $250m 30-year 11⅞ debentures, which First Boston priced at 99½ to yield 11.97 per cent.

That was on Thursday, but by Friday morning, with only about a third of the issue sold, First Boston released the bonds for open trading, and they promptly flopped with the rest of the market to 97½, where they were yielding 12.18 per cent.

On the statistical front, the Government reported lower unemployment for August (at 7.6 per cent, down from 7.8 per cent in July), another sign of economic growth, and a 1.5 per cent rise in the producer price index for August, evidence of continued inflation.

This plunged the market into half a day of severe gloom on Friday and eroded most of the gains made earlier in the week. But some cheer is being drawn from the fact that the Fed's behaviour in the credit markets in the past week appears at last to have pinned down the central bank's preferred trading range for Federal funds (short-term interbank funds) to between 9.5 and 10.5 per cent, which is high, but not as high as some had feared it might go.

The money supply numbers continue to be of critical interest, with three weeks of helpful figures still only compensating halfway for the more than $9bn record increase reported the week before that.

All this means that the Fed enters September with no leeway for another sudden weekly rise. But analysts believe its task of promoting orderly growth within its targets will be made easier by a sharp drop in money growth because of seasonal factors to be reported next Friday.

U.S. INTEREST RATES (%)

| | Week to Sept. 5 | Week to Aug. 22 |
|---|---|---|
| 3-month Treas. Bill | 10.02 | 10.35 |
| 3-month Coml. Paper | 10.70 | 10.95 |
| Federal Funds wkly. average | 10.02 | 10.32 |
| 30-year Treas. bond | 10.95 | 11.42 |
| Lng-term AAA Utility | 12.25 | 12.63 |
| Lng-term AA Industl | 12.00 | 12.50 |

Source: Salomon Brothers estimates.

## FT INTERNATIONAL BOND SERVICE

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Brit. Oxygen F. 10¾ 90 | 50 | †85⅛ | 86⅛ | +0⅛ | +0½ | 13.40 |
| CECA 11½ 83 | 100 | 95¼ | 95¾ | +0⅛ | +1¼ | 12.41 |
| Citicorp O/S Fin. 10 86 | 300 | 90⅜ | 91⅛ | −0½ | +1⅜ | 12.26 |
| Con. Illinois O/S 9¾ 86 | 150 | 89⅞ | 89⅝ | 0 | +1⅛ | 12.40 |
| Denmark 11¼ 90 | 100 | 93⅜ | 93⅞ | −0⅛ | +1⅜ | 12.91 |
| Dome Petroleum 13¼ 92 | 50 | 101 | 101½ | −0¼ | +2⅜ | 13.25 |
| EEC 11 95 | 75 | 88⅝ | 88⅞ | +0⅛ | +2⅝ | 12.75 |
| EEC 11 95 | 70 | 88 | 88⅜ | −0⅛ | +2⅜ | 12.77 |
| EIB 11¼ 92 | 80 | 91½ | 92½ | −0½ | +1 | 13.11 |
| EIB 13¾ 90 | 100 | 102⅞ | 103⅜ | −0½ | +1⅞ | 13.13 |
| Eksportfinans 11¼ 87 | 50 | 95⅜ | 95⅞ | −0⅛ | +1⅞ | 12.24 |
| Eksportfinans 9½ 87 | 75 | 86½ | 87 | +0⅛ | +2⅛ | 12.47 |
| Elec. de France 10 88 | 125 | 89 | 89½ | +0⅛ | +2⅛ | 12.19 |
| Export Dv. Cpn. 12⅜ 87 | 100 | 101½ | 102 | −0⅜ | +2 | 12.32 |
| Export Dv. Cpn. 9½ 86 | 150 | 90⅜ | 90⅞ | +0⅛ | +1⅜ | 11.93 |
| Export Dv. Cpn. 9¼ 86 | 150 | 100⅜ | 101⅜ | −0⅛ | +1⅛ | 11.92 |
| Fin. Exp. Credit 10½ 85 | 50 | 92 | 92⅛ | −0⅛ | +0⅛ | 12.72 |
| Finland Rep. of 9½ 86 | 100 | 87⅜ | 87⅞ | −0⅜ | +1⅛ | 12.71 |
| Ford O/S Fin. 12⅜ 85 | 250 | 98⅜ | 98⅜ | 0 | +1½ | 13.06 |
| George Weston 13½ 87 | 30 | †100⅜ | 101⅛ | −0⅛ | +1⅞ | 13.23 |
| GMAC O/S Fin. 11 94 | 100 | 96⅛ | 96⅝ | −0⅜ | +1 | 12.09 |
| GMAC O/S Fin. 13⅛ 85 | 100 | 103 | 103½ | +0⅛ | +1⅝ | 12.35 |
| Goodyear O/S 12½ 97 | 75 | 98 | 98½ | −0⅛ | +0⅛ | 12.87 |
| Hudson's Bay 11½ 90 | 75 | 92⅝ | 93⅛ | +0⅜ | +2 | 12.80 |
| IAM Canada 10½ 85 | 50 | 95⅞ | 96⅜ | −0⅜ | +1⅞ | 11.57 |
| ICI Fin. Nd. 11 83 | 100 | 97⅜ | 98⅛ | −0⅛ | +1⅛ | 11.84 |
| Inl. Harvester 12⅞ 85 | 115 | 98⅜ | 99⅛ | −0⅛ | +0⅛ | 13.06 |
| McGraw 13½ 85 | 75 | 100⅛ | 100⅝ | −0½ | +0⅜ | 13.29 |
| NorWest Ind. 13⅝ 87 | 50 | 100 | 100½ | −0⅛ | +1⅜ | 13.52 |
| Nova Scotia 10⅛ 90 | 50 | 91⅜ | 92⅛ | −0⅛ | +2⅜ | 12.17 |
| OKB 10 85 | 50 | 93⅞ | 94⅜ | +0⅛ | +2⅛ | 11.63 |
| Pembroke Capital 9⅝ 87 | 100 | †88⅜ | 88⅝ | −0⅛ | +1⅜ | 12.21 |
| Pemex 11½ 88 | 100 | 92⅞ | 93⅜ | 0 | +0⅛ | 12.93 |
| Quebec Hydro 11½ 92 | 100 | 91⅝ | 92⅛ | −0⅛ | +1½ | 12.86 |
| Repsteel O/S 11½ 88 | 100 | 88⅛ | 88⅝ | −0⅛ | +0⅜ | 14.02 |
| Roylease Ltd. 11⅛ 85 | 50 | 96⅜ | 96⅞ | −0⅛ | +0⅛ | 12.19 |
| SNCF 12⅜ 85 | 50 | 100⅞ | 101⅜ | +0⅜ | +0⅜ | 12.00 |
| Swed. Ex. Cred. 12½ 85 | 40 | †101 | 101⅛ | +0⅞ | +1⅜ | 12.09 |
| UB Finance BV 11 90 | 50 | 88⅞ | 89⅜ | 0 | +1½ | 13.00 |
| Unilever NV 9⅜ 90 | 100 | 85⅛ | 85⅝ | −0⅛ | +0⅛ | 12.39 |
| World Bank 9⅝ 85 | 200 | 91⅝ | 92⅛ | +0⅜ | +2⅛ | 12.06 |
| World Bank 10⅛ 87 | 300 | 91½ | 92 | +0⅛ | +2⅛ | 12.08 |

Average price changes... On day −0⅛ on week +1½

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Akzo 9 90 | 125 | 101⅜ | 102⅜ | +0⅛ | +1⅜ | 8.64 |
| Australia 8⅛ 90 | 250 | 100⅛ | 100⅞ | −0⅛ | −0⅛ | 8.04 |
| BFCE 7¾ 87 | 100 | 97⅜ | 98½ | −0⅛ | −0⅛ | 8.12 |
| BFCE 8¼ 95 | 100 | 98⅞ | 99⅞ | −0⅛ | +0⅛ | 8.18 |
| Brazil 8 87 | 190 | 90⅛ | 90⅝ | +2⅝ | −0½ | 9.99 |
| Council of Eur. 7¾ 89 | 100 | 94⅜ | 95⅛ | +0⅛ | +0⅜ | 8.11 |
| Denmark 7⅞ 86 | 100 | 98¼ | 99 | 0 | +0⅜ | 8.18 |
| Denmark 8¼ 92 | 100 | 98¼ | 98⅞ | 0 | −0⅜ | 8.31 |
| EEC 7⅞ 94 | 225 | 97⅜ | 97⅞ | +0⅛ | +0⅜ | 8.17 |
| Finland Rep. of 8 86 | 150 | 98⅜ | 99⅜ | 0 | −0⅛ | 8.20 |
| Iberduero SA 9 90 | 100 | 99¼ | 100 | −0⅛ | +1 | 9.05 |
| Kobe, City of 7½ 89 | 150 | 94⅛ | 95¼ | +0⅜ | +0⅜ | 7.94 |
| Kobe, City of 8 90 | 100 | 99½ | 100⅛ | −0⅛ | +0⅛ | 8.01 |
| Mt. Bk. Denmark 8½ 90 | 150 | 99⅜ | 100⅛ | 0 | +0⅛ | 8.53 |
| Norway 7½ 85 | 250 | 99 | 99⅜ | 0 | −0⅛ | 7.66 |
| OKB 7⅜ 88 | 100 | 94⅝ | 95⅜ | 0 | 0 | 8.17 |
| OKB 8¼ 92 | 150 | 99⅜ | 99⅞ | −0⅛ | +0⅛ | 8.31 |
| Oslo, City of 8¾ 90 | 80 | 102⅛ | 103⅛ | +0⅛ | +0⅛ | 8.29 |
| Sweden 9⅜ 87 | 200 | 105⅝ | 106⅜ | −0⅛ | −1 | 8.50 |
| World Bank 8 90 | 700 | 98⅜ | 99⅛ | −0⅛ | +0⅜ | 8.15 |
| World Bank 7⅞ 90 | 250 | 97⅛ | 98⅛ | 0 | +0½ | 8.22 |
| World Bank 10 86 | 150 | 106⅞ | 107⅜ | +0⅛ | +0⅜ | 8.32 |
| World Bank 10 90 | 200 | 109⅜ | 110⅜ | −0⅛ | −0⅛ | 8.43 |

Average price changes... On day 0 on week +0⅛

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Argentina 5½ 89 | 80 | †91½ | 92 | +0⅜ | +1⅛ | 5.77 |
| Bergen, City of 4½ 91 | 40 | 93¼ | 93½ | +0⅛ | +0⅜ | 5.58 |
| Bergen, City of 6 90 | 50 | 102⅜ | 102⅞ | −0⅛ | +0⅝ | 5.65 |
| BNDE 5 89 | 75 | 83⅜ | 83½ | 0 | −0⅛ | 7.66 |
| BMW Overseas 4¾ 91 | 100 | 92⅝ | 93 | +0⅜ | +0⅛ | 5.11 |
| Buhrm'n-Tetterode 7 90 | 40 | 104⅜ | 105 | +0⅛ | +0⅜ | 6.30 |
| Caisse Nat. Tels. 4⅜ 89 | 100 | †94⅛ | 94⅝ | +0⅜ | +0⅛ | 5.18 |
| Copenhagen 4½ 91 | 60 | †87½ | 88 | +0⅞ | +0⅛ | 6.06 |
| Council of Eur. 5 89 | 100 | †95 | 95½ | +0⅛ | +0⅛ | 5.67 |
| Denmark 5¾ 90 | 80 | 100⅛ | 100⅝ | +0⅛ | +0½ | 5.71 |
| EIB 4⅜ 84 | 100 | †95 | 95½ | +0⅛ | +2⅛ | 5.96 |
| Elec. de France 4¾ 89 | 100 | 93⅜ | 94 | +0⅜ | 0 | 5.25 |
| F. G. H. Hypo. Bk. 8 90 | 50 | †103 | 103½ | 0 | 0 | 5.56 |
| GZB 4¼ 89 | 100 | †88½ | 89 | +0⅛ | +0⅜ | 5.87 |
| Hilti 4½ 91 | 35 | 92½ | 92⅜ | +0⅞ | +1⅜ | 5.13 |
| Int.-Amer. Dev. 4½ 89 | 100 | 92⅛ | 92⅝ | +0⅜ | +2 | 5.63 |
| Int.-Amer. Dev. 7 90 | 80 | 106⅛ | 106¾ | +1 | +1½ | 6.07 |
| Jutland Tele. 5½ 90 | 50 | 99⅜ | 100 | +0⅛ | +2 | 5.53 |
| Malaysia 5 89 | 80 | 90 | 90⅛ | +0⅛ | +2 | 6.47 |
| Neweg 5⅜ 90 | 80 | 102⅜ | 102⅞ | +0½ | +1⅝ | 5.43 |
| Nippon Tel. & T. 4⅜ 89 | 100 | 94½ | 94⅞ | +1⅛ | +1⅜ | 5.00 |
| Nordic Bank 5 89 | 45 | †94½ | 95 | −0⅛ | +0½ | 5.77 |
| Norges Komm. 4½ 91 | 100 | 89⅝ | 89⅞ | +0⅛ | +1⅜ | 5.64 |
| OKB 4¾ 91 | 100 | 89½ | 89⅞ | +0⅛ | +2½ | 5.66 |
| OKB 6 90 | 100 | 103⅜ | 103⅞ | +0⅜ | +2⅜ | 5.48 |
| Oslo, City of 4⅜ 91 | 100 | 88⅜ | 89 | +0⅛ | +1⅛ | 5.78 |
| Sekisui Pre. Hms. 6 90 | 80 | 103½ | 103¾ | +0⅛ | +0½ | 5.51 |
| Shikoku El. Pwr. 4⅜ 89 | 100 | 95⅜ | 95⅝ | +1⅛ | +2½ | 5.43 |
| World Bank 4¾ 89 | 100 | †94 | 94½ | +2⅛ | −0⅞ | 5.45 |
| World Bank 4⅝ 89 | 150 | 90⅛ | 91 | +0⅛ | +1⅛ | 5.89 |
| World Bank 4⅜ 91 | 100 | 90⅛ | 90⅝ | +0⅛ | +1⅞ | 5.83 |

Average price changes... On day +0½ on week +1⅛

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Australia 5.6 83 | 30 | 91⅜ | 92⅛ | 0 | −0⅛ | 8.69 |
| Australia 6½ 88 | 20 | 88⅛ | 89⅛ | +0⅛ | +0⅛ | 8.62 |
| EIB 7¼ 89 | 12 | 96⅝ | 97⅞ | +0⅛ | +0⅛ | 8.19 |
| Finland 5.6 83 | 10 | 90⅞ | 91⅞ | −0⅛ | −0⅛ | 8.84 |
| Finland 6.8 89 | 10 | 87⅜ | 88⅜ | 0 | −0⅛ | 8.02 |
| Finland, Rep. of 8⅛ 87 | 15 | 97⅞ | 98⅛ | +0⅜ | 0 | 8.84 |

Average price changes... On day +0⅛ on week −0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Bell Canada 10¾ 86 C$ | 60 | 92⅛ | 93¾ | +0¼ | +0⅛ | 12.42 |
| CIBC 13½ 85 C$ | 50 | 100⅞ | 101⅛ | +0⅛ | −0⅛ | 13.22 |
| CIBC 11½ 85 C$ | 60 | 95½ | 96¼ | +0⅛ | +0¼ | 12.66 |
| Federal Dev. 11½ 90 C$ | 60 | 89¾ | 90⅜ | +0⅛ | −0½ | 13.32 |
| Fst. Can. Inv. 10 84 C$ | 50 | 91⅛ | 92 | −0⅛ | +0⅛ | 12.90 |
| GMAC 12 85 C$ | 50 | †96⅞ | 97½ | −1¼ | −0⅛ | 12.84 |
| R. Bk. Canada 10 86 C$ | 40 | 91¾ | 92¾ | +0⅛ | +0½ | 12.05 |
| Tordom Cpn. 13½ 85 C$ | 30 | 100⅞ | 101 | −0⅛ | −0⅛ | 13.26 |
| M. Bk. Dnmk. 9 91 EUA | 25 | 94 | 95¼ | 0 | +0⅜ | 9.80 |
| SOFTE 8¾ 89 EUA | 40 | 88⅛ | 89¾ | 0 | +0⅛ | 10.19 |
| U. Bk. Nrwy. 9½ 90 EUA | 18 | 99⅞ | 100⅜ | +0⅛ | +0¼ | 9.52 |
| Algemene Bk. 8¾ 84 Fl | 75 | 96⅜ | 96⅞ | +0⅛ | +0⅜ | 9.37 |
| Algemene Bk. 10¼ 87 Fl | 400 | 100⅝ | 100¾ | +0⅜ | +0⅛ | 10.13 |
| Bk. Mees & H. 10 85 Fl | 75 | 101 | 101½ | +0⅝ | +2⅝ | 9.66 |
| Heineken NV 10 87 Fl | 75 | 100¾ | 101⅛ | +0⅛ | +0⅜ | 9.78 |
| Norway 8¾ 84 Fl | 100 | 96¼ | 96¾ | +0½ | −0⅛ | 9.31 |
| Philips Lamps 8¾ 84 Fl | 75 | 95⅞ | 96⅝ | +0⅛ | +0¼ | 9.62 |
| Aero Paris 13¾ 87 FFr | 150 | 99¾ | 100¼ | +0⅛ | +0½ | 13.06 |
| Air France 11 84 FFr | 120 | 96⅛ | 97⅛ | 0 | 0 | 12.11 |
| CECA 14¼ 86 FFr | 150 | 105½ | 106½ | 0 | −0⅝ | 12.63 |
| Finland 11 94 FFr | 80 | 93⅜ | 94⅜ | 0 | 0 | 12.91 |
| Finland 11½ 89 FFr | 70 | 93⅛ | 94⅛ | 0 | +0⅛ | 12.71 |
| Gaz de France 11 84 FFr | 150 | 95⅛ | 96⅜ | −0⅜ | 0 | 12.30 |
| IBM France 11⅞ 84 FFr | 120 | 95⅞ | 96½ | 0 | 0 | 13.10 |
| Renault 9¾ 85 FFr | 100 | 88¼ | 89⅛ | −0⅛ | −0⅜ | 13.04 |
| Solvay et Cie 9¾ 87 FFr | 125 | 84¾ | 85¾ | −0⅛ | −0¼ | 13.18 |
| Utd. Mex Sts. 14 85 FFr | 150 | 100⅜ | 101⅜ | 0 | 0 | 13.69 |
| Beneficial Fin. 14¼ 90 £ | 20 | 98½ | 99¼ | +0⅛ | +1½ | 14.43 |
| Citicorp O/S 13½ 90 £ | 50 | 98⅝ | 99⅜ | 0 | +1⅜ | 13.65 |
| EIB 11½ 91 £ | 25 | 88⅛ | 88⅞ | −0⅜ | −1⅜ | 13.57 |
| Fin. for Ind. 12⅜ 89 £ | 30 | 95⅜ | 96⅛ | 0 | +1⅛ | 13.32 |
| Fin. for Ind. 14½ 88 £ | 20 | 101⅜ | 102⅜ | 0 | +1 | 14.05 |
| Gen. Elec. Co. 12½ 89 £ | 50 | 95⅜ | 96⅜ | +0⅛ | +1⅛ | 13.27 |
| Peugeot SA 14 90 £ | 23 | 98⅛ | 99⅛ | 0 | +1½ | 14.20 |
| Swed. Ex. Cr. 15¾ 85 £ | 20 | 102⅜ | 103⅜ | −0⅛ | +0⅜ | 14.32 |
| Banobras 8½ 90 KD | 7 | †93 | 93½ | 0 | −1⅜ | 8.33 |
| CCCE 8¼ 91 KD | 10 | †94 | 94⅜ | 0 | −0⅛ | 8.98 |
| Sonatrach 9½ 90 KD | 12 | †92 | 92⅛ | 0 | −1⅜ | 9.77 |
| Akzo 8¾ 87 LuxFr | 500 | 94½ | 95½ | −0⅛ | −0⅛ | 10.26 |
| Euratom 8 87 LuxFr | 500 | 88⅜ | 89⅜ | 0 | −0⅛ | 10.41 |
| Euratom 9¾ 88 LuxFr | 500 | 97 | 98 | −1⅜ | −1⅛ | 10.23 |
| EIB 9¼ 89 LuxFr | 600 | 98⅜ | 99⅛ | −0⅛ | −0⅜ | 10.00 |
| Volvo 9⅝ 87 LuxFr | 500 | 96 | 97 | −0¼ | −0⅛ | 10.45 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| Allied Irish Bk. 5¼ 87 | 0¼ | 98⅜ | 98⅞ | 2/1 | 10.44 | 10.60 |
| Bank of Ireland 5¼ 89 | ‡0¼ | 97⅜ | 98⅛ | 21/11 | 11⅞ | 11.62 |
| Bank of Tokyo 5¼ 89 | ‡0⅛ | 97 | 97½ | 25/10 | 9¼ | 9.51 |
| Barclays O/S Inv. 5 90 | 0⅛ | 97½ | 98¼ | 13/12 | 9⅝ | 8.83 |
| Bergen Bk. A/S 5 89 | ‡0¼ | 97½ | 98 | 29/11 | 12⅛ | 12.53 |
| Bilbao Int. NV 5¾ 90 | 0⅛ | 96½ | 97½ | 29/11 | 10.06 | 10.38 |
| Citicorp O/S F. 83 | §‡0 | 98⅜ | 99⅜ | 23/11 | 11.44 | 11.51 |
| Citicorp O/S F. 84 | ‡0 | 98⅝ | 99⅛ | 30/9 | 11.94 | 12.07 |
| C. Itoh 5¼ 87 | 0½ | 99¼ | 99¾ | 18/8 | 19.44 | 18.54 |
| Co-operative Bk. 8 86 | 0⅜ | 98⅝ | 98⅝ | 16/11 | 11.44 | 11.63 |
| Creditanstalt 5½ 91 | §‡0¼ | 97⅜ | 98⅛ | 14/9 | 2.44 | 9.63 |
| CNT 5¼ 86 | §0¼ | 100 | 100½ | 16/10 | 18⅜ | 18.08 |
| GZB 5½ 89 | ‡0⅛ | 98¼ | 98¾ | 1/11 | 9.81 | 9.96 |
| Jugobanka 8 89 | 0⅞ | 90 | 92 | 23/11 | 11⅝ | 12.77 |
| Ind. Bank Japan 5¼ 87 | 0¼ | 99⅝ | 100⅛ | 15/10 | 18⅜ | 18.77 |
| Lloyds Eurofin 8 90 £ | 0¼ | 96⅛ | 96¾ | 3/1 | 15⅜ | 16.32 |
| LTCB Japan 5¼ 96 | 0¼ | 98⅛ | 98⅜ | 13/12 | 9⅝ | 9.77 |
| LTCB Japan 5½ 89 | 0⅛ | 98 | 98½ | 7/12 | 10⅛ | 10.31 |
| Mfrs. Han. O/S 5¼ 94 | ‡0⅛ | 97¼ | 98¼ | 30/11 | 12⅛ | 12.37 |
| Midland Intl. Fin. 5 89 | 0⅜ | 97⅝ | 98⅛ | 20/12 | 9½ | 9.71 |
| Midland Intl. Fin. 5⅜ 92 | 0¼ | 97⅜ | 98⅛ | 5/12 | 10⅞ | 11.11 |
| Nacional Fin. 6¼ 86 | 0⅛ | 97¾ | 97⅞ | 25/1 | 9.69 | 9.92 |
| Nat West 5¼ 94 | §0¼ | 99 | 99½ | 11/10 | 18⅜ | 18.77 |
| Nippon Credit 6½ 86 | 0⅛ | 97⅛ | 97⅝ | 12/1 | 8.56 | 8.82 |
| Nippon Credit 5¼ 87 | ‡0⅛ | 97⅜ | 98⅛ | 6/11 | 10⅞ | 11.11 |
| Royal Bk. Scot. 5¼ 94 | §‡0⅛ | 98½ | 89 | 11/10 | 8.31 | 9.43 |
| Soc. C. de Bque. 6½ 87 | 0⅛ | 98¾ | 99¼ | 3/10 | 20.06 | 20.27 |
| Standard Chart. 5¼ 90 | 0¼ | 89¼ | 89¾ | 5/9 | 17¼ | 17.34 |
| Svenska Hndlsbk. 5 87 | 0⅛ | 98 | 98¼ | 15/1 | 10 | 10.18 |
| Sweden 8¼ 91 | ‡0⅜ | †96⅜ | 96⅝ | 18/10 | 9.56 | 9.92 |
| Williams & Glyn 5¼ 91 | 0⅜ | 98⅜ | 99⅛ | 14/9 | 18½ | 18.71 |
| Bq. S. d'Alg. 4¼ 89 SF | 0⅜ | †90 | 90½ | 18/12 | 6⅝ | 6.29 |

Average price changes... On day +0⅛ on week +0⅛

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| AGA Akt'bolag 7¾ 89 | 10/79 | 146 | †116 | 117 | 0 | −4.26 |
| Ajinomoto 7¾ 95 | 2/80 | 615.5 | 122⅛ | 123¼ | −1 | −0.65 |
| Alco Int. Fin. 9½ 94 | 1/80 | 40 | 94⅛ | 95½ | +0⅛ | 14.55 |
| Apache I. Fin. 8¾ 95 | 12/80 | 21.12 | 123½ | 124¼ | +0⅛ | −1.05 |
| Asahi Optical 7 94 | 11/79 | 526.1 | 97 | 98 | −0⅛ | −2.76 |
| Blocker Energy 8¾ 95 | 1/81 | 21.87 | 98½ | 99¾ | 0 | 2.04 |
| Canon 6⅜ 94 | 8/79 | 570 | 111 | 112 | −0⅛ | 1.62 |
| Credit Suisse 4¾ 93 | 10/79 | 1278 | 113⅛ | 114⅞ | +0½ | −0.90 |
| Daiei Inc. 6½ 94 | 11/79 | 927.3 | 97⅛ | 98⅞ | −0⅛ | 23.75 |
| ODKK 11 90 | 4/80 | 324 | 103 | 104 | +0⅛ | 14.14 |
| Dynelectron 9½ 95 | 8/80 | 12.22 | 114 | 116 | 0 | −3.08 |
| Enserch Fin. 9½ 94 | 7/80 | 30.25 | †127½ | 128½ | −0½ | −1.65 |
| Inchcape Ltd. 8 95 | 2/81 | 4.55 | 103 | 104 | 0 | 0.51 |
| Meidensha Elec. 7 94 | 12/79 | 210 | 103½ | 105 | −0⅞ | −2.32 |
| MEPC 8¼ 96 | 2/81 | 2.47 | 105⅜ | 106⅜ | +0¼ | 8.99 |
| Mitsubishi Cp. 6½ 94 | 10/79 | 549.1 | 131 | 132½ | −0⅛ | −0.17 |
| Ricoh 6⅝ 95 | 8/80 | 604 | 101⅜ | 102⅛ | −0⅛ | 5.38 |
| SBC 6¼ 90 | 9/80 | 200 | 99⅛ | 100½ | +0⅛ | 3.32 |
| Toshiba Cpn. 7¾ 94 | 10/79 | 198 | 107⅛ | 108⅜ | −0⅞ | −1.51 |
| Union Bk. Switz. 5 89 | 2/80 | 121.4 | 102⅝ | 103⅝ | 0 | 1.97 |
| Fujitsu 5 84 DM | 7/79 | 475 | 107⅝ | 108⅜ | −0⅛ | 2.63 |
| Sharp Corp. 6½ 86 DM | 2/80 | 595 | 106⅛ | 107⅛ | −0⅛ | 2.10 |
| Uny Co. 6½ 86 DM | 11/79 | 1071 | 97⅞ | 98⅜ | −0⅛ | 23.77 |



BONDTRADE INDEX AND YIELD

| | Medium term | | Long term | |
|---|---|---|---|---|
| Sept. 5 | na | na | na | na |
| Aug. 29 | 90.81 | 10.62 | 78.11 | 11.90 |
| High '80 | 93.58 | (18/6) | 89.19 | (2/1) |
| Low '80 | 86.32 | (2/4) | 71.54 | (29/2) |

EUROBOND TURNOVER (nominal value in $m)

| | Cedel | Euroclear |
|---|---|---|
| U.S. $ bonds | | |
| Last week | 393.7 | 2,912.9 |
| Previous week | 503.1 | 1,922.5 |
| Other bonds | | |
| Last week | 273.4 | 396.5 |
| Previous week | 319.1 | 448.7 |

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate († three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Boodtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull Ltd.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy. Closing prices on September 5

## APPOINTMENTS

# National Westminster Europe posts

Following the restructuring of NATIONAL WESTMINSTER BANK'S Western Europe regional office, Mr. Roger St. John-Seymour has been appointed senior regional manager in the newly formed, City-based, Northern Europe region, international banking division, and Mr. Bill Barker has been appointed to a similar position in the new Southern Europe region. Prior to their new appointments, Mr. St. John-Seymour was senior vice president (marketing), executive office North America, New York, and Mr. Barker was senior regional manager, Western Europe region.

★

Mr. John Peter MacArthur is joining the Board of SGB GROUP as a non-executive director. He is also a director of Kleinwort Benson, Turriff Corporation, Cross Investment Trust and Data Research Services.

Swedish born Mr. Tor Von Sydow, has been appointed managing director, and British born Mr. Tim Folkes, general manager, of SWEDOORS, Nottingham, a member of the Swedish Match Company.

★

Mr. James P. Donohue, vice president and based in London, is now responsible for the CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO multinational banking activities in the UK, Scandinavia, Germany, Austria, Italy and Switzerland. Mr. William A. Page, vice president, is responsible for multinational activities in Benelux countries, France, Greece and Spain. He will be based in Paris after having been located in Brussels for three years.

★

At RACAL-MESL SECURITY Mr. John S. Aitken, who has been with the company for six years as production engineering manager, has been promoted to director and will lead the marketing department. Mr. David K. Mills is appointed sales director. He was previously a director with Holmes McDougall.

★

Mr. William W. Renlison, managing director of the industrial and commercial division of Lloyds and Scottish, has been appointed chairman of JAMES TALCOTT FACTORS INC., while Mr. Geoffrey F. Bacon, director of international activities, Lloyds and Scottish and Mr. Malcolm J. Smith, managing director of International Lawrie Factors Holdings have also been appointed to the Board. In addition, Mr. P. Douglas Campbell has been appointed a director and as chief financial officer will now be based in New York.

★

Mr. Malcolm Clark has been appointed director of QUEEN ELIZABETH'S FOUNDATION FOR THE DISABLED which is based at Leatherhead, Surrey. Mr. Clark, who was formerly managing director of a major group subsidiary of Albright and Wilson, joins the Foundation on October 2. He succeeds Mr. Robin Smith who is retiring after 15 years as director, but remains at the Foundation as appeals director.

★

Mr. David D. Searle has been appointed chief executive, and Mr. Gilbert Hunt, latterly chairman of Chrysler, has joined the Board of TECHNOLOGY TRANSFER ASSOCIATES, Oxford, an associated company within the Emray Group.

★

MERCHANT INVESTORS ASSURANCE COMPANY has opened a new broker office in Glasgow. The branch manager is Mr. William Johnston, previously Scottish regional manager with Vanbrugh.

★

Mr. Christopher Burbidge, at present the underwriter of Scan Re Insurance Company, will shortly be joining the SEDGWICK GROUP, and will be appointed managing director of Sedgwick Group Underwriting Services and Regis Underwriting Agencies.

★

Mr. T. W. Bottomley has been appointed managing director of CROSLEE YARNS, a Carpets International Group company. For the last two and a half years he has been deputy managing director. He succeeds Mr. Reg Walton, who has retired.

★

Mr. Christopher K. Foster has been appointed director and general manager of MONARCH ALUMINIUM, Cheltenham, in succession to Mr. Richard Heath who has progressed to the parent company's head office. Monarch Aluminium is a member of the Thornville Industrial Group.

★

Mr. P. M. Marrell and Mr. M. W. Eve have been appointed directors of JARDINE MATHESON INSURANCE BROKERS.

★

From October 1 Mr. John W. Hedger, who has been joint managing director of COLE CHEMICALS (a Cole Group company) since 1977, becomes managing director.

★

Mr. John Dick has been appointed a non-executive director of CULTER GUARD BRIDGE HOLDINGS. Mr. Dick has had over 30 years of industrial experience with ICI and was Scottish affairs advisor for three years prior to his retirement.

★

RADIO VICTORY, the independent local radio station based at Portsmouth, has appointed Mr. John Russell as the station's new managing director from October 1.

★

Mr. W. A. Wood has resigned as managing director of PORTALS to concentrate on the activities of the papermaking division as a whole as managing director of Portals Papermaking. Mr. J. E. F. Lloyd has become managing director of Portals.

★

Mr. Alan J. Orr has been appointed managing director and Mr. T. A. Joscelyne commercial director of the SUBBY ENGINEERING DEVELOPMENT COMPANY.

## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

### TODAY

COMPANY MEETINGS—
Cowan de Groot, Abercorn Rooms, Liverpool St., EC, 12.00
Electrocomponents, Great Eastern Hotel, Liverpool St., EC, 12.00
Stock Conversion and Inv. Tst., Cafe Royal, 68, Regent St., W, 12.00
Murray Northern Inv. Tst., 175 West George St., Glasgow, 10.30

BOARD MEETINGS—
Finals:
Clark (Matthew)
Melody Mills
Murray Glendevon Inv. Tst.
Interims:
BTR
Bramall (C. D.)
Carlton Inds.
London Utd. Inv.
Metal Closures

DIVIDEND & INTEREST PAYMENTS—
Ault and Wiborg Db. 4½pc
Bremner Brothers 1.65p
Brimer (H. P.) 3.22p
Croda Organic Chemicals Ln. 3½pc
Drake and Scull 1.25p
Drayton Premier Inv. Tst. 3p
Eurotherm Intnl. 1.5p
Ford Intnl. Cap. Ln. 3pc
Helene of London 1.17p
Mid-Sussex Water 8pc Red. Pf. 1981 4pc
Portland 4p
Renold Ln. 3½pc
Rockwell Intnl. Corp. 35cts
Standard Chartered Finance BV Gtd. Flt. Rate Notes 1990 US$445.63

### TOMORROW

COMPANY MEETINGS—
Argyll Foods, The Stafford Hotel, St. James's Place, SW, 12.00
Associated Leisure, The Savoy Hotel, The Strand, WC, 12.00
Ferel, Hyde House, The Hyde, NW, 11.00
James (Maurice) Inds., Hotel Leofric, Coventry, 2.00
Meyer (Montague L.), Charing Cross Hotel, The Strand, WC, 12.00
Mocmabe Invs., 1 Brewers Green, Buckingham Gate, SW, 4.00
Branill, Anglesey House, Anglesey Rd., Burton-on-Trent, 10.00
Sekers Intnl., Connaught Rooms, Great Queen St., W, 12.00
Wrighton (F.), Bromoten Works, Billet Rd., E, 12.00

BOARD MEETINGS—
Finals:
F. and C. Eurotrust
Land Investors
Scheme
Staffordshire Potteries
Zetters
Interims:
BICC
Barton and Sons
Restobell
Bowater
Danish Bacon
Farmer (S. W.)
Pearson Longman
Pearson (S.)
Pentos
Reckitt and Colman
Small (John C.) and Tidmas
Standard Chartered Bk.
Wilson (Connolly)

DIVIDEND & INTEREST PAYMENTS—
London Inv. Tst. 0.35p
Mining Supplies 2p
Tenneco Inc. 50cts

### WEDNESDAY, SEPTEMBER 10

COMPANY MEETINGS—
Courts (Furnishers), Crown House, Morden, Surrey, 11.00
Ocean Inv. Tst., 44 Bloomsbury Sq., WC, 12.30
Hellas, Century House, Ashley Rd., Hale, Altrincham, Cheshire, 11.00
Rothmans Intnl., Dorchester Hotel, Park Lane, W, 12.30
Wood (S. W.), Winchester House, 100 Old Broad St., EC, 12.00

BOARD MEETINGS—
Finals:
Douglas (Robert M.)
Harrisons Malaysian Ests.
Interims:
BSR
Babcock Intnl.
Barro Consd. Inds.
Biddle
British Vita
Carpets Intnl.
Cosalt
Dorada
Jenns (A. A.) and Shipman
Lead Inds.
Leyland Paint and Wallpaper
Montfort (Knitting Mills)
Newbold and Burton
Nurdin and Peacock
Peninsular and Oriental Steam Navigation
Portals
Tilling (Thomas)

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corp. 6½pcDb. 1985-90 3¼pc, 7½pcDb. 1981-84 3¾pc, 9½pcDb. 1980-85 4¾pc, 7½pcDb. 1991-1993 3¾pc
Barnes Inc. 20cts
Birmid Qualcast 1.5p
Boeing 30cts
Citicorp Overseas Finance Corp. Gtd. Flt. Rates Notes Due 1994 US$25.88
Countryside Properties 1.4p
General Motors Corp. 80cts
Grace (W. R.) 57½cts
Intnl. Business Machines 86cts
Kraft Inc. 80cts
Meyer (Montague L.) 4p
Mobil Corp. 85cts
Murray Northern Inv. Tst. 1.15p
Newcastle-upon-Tyne 9¼pc Cons. Red. 1978-80 4¾pc
Purolator Inc. 35cts
Smith Corp. 22½cts
Texaco Inc. 60cts
Travelers Corp. 62cts
Treasury 5½pc 2008-12 2¾pc
United Technologies Corp. 55cts
Warner Lambert 33cts
Wrighton (F.) 1.083p

### THURSDAY, SEPTEMBER 11

COMPANY MEETINGS—
Crown House, Connaught Rooms, Great Queen St., WC, 11.00
Unigate, Dorchester Hotel, Park Lane, W, 12.00
United Gas Industries, Connaught Rooms, Great Queen St., WC, 12.00
Wellman Engineering, Parnell House, 25 Wilton Rd., SW, 12.00

BOARD MEETINGS—
Finals:
Coronation Syndicate
Guinness Peat
Harmony Gold Mng.
Maynards
Tweefontein Utd. Collieries
Interims:
Allen Harvey and Ross
Bridon
Hepworth Ceramic
Highcroft Inv. Tst.
Lyon and Lyon
Magnolia (Mouldings)
Prudential Cpn.
Rosedimond Inv. Tst.
Sedgewick
Spencer (George)
Turner and Newall
Utd. Biscuits

DIVIDEND & INTEREST PAYMENTS—
Kinta Kellas Rubber Estates 3.5p
Lex Service 2.6p
Stakis (Reo.) Organisation 0.4p
Wellman Engineering Corp. 1.75p
Wood (S. W.) 3.2p

### FRIDAY, SEPTEMBER 12

COMPANY MEETINGS—
Avana, Park Hotel, Park Place, Cardiff, 3.00
Bevan (D. F.), The Midland Hotel, New St., Birmingham, 12.15
C. H. Industrials, The Carlton Tower Hotel, Cadogan Place, W, 12.00
General Electric, Institution of Electrical Engineers, Savoy Place, WC, 12.00
PFD, Winchester House, 100 Old Broad St., EC, 12.00
Radiant Metal Finishing, 59, Fairfield Rd., Bow, E, 10.30
Thorn EMI, Winchester House, 100 Old Broad St., EC, 12.00

BOARD MEETINGS—
Finals:
Carters
Interims:
Appleyard
Friedland Doggart

DIVIDEND & INTEREST PAYMENTS—
Astra Industrial 0.54p
C.H. Industrials 1.5125p
Cenexo Inc. 55cts
Ford Motor BDR's 1.20 of Com. 1.5cts
Hampton Gold Mining Areas 3p
Louisiana Land and Exploration 45cts
Monsanto 90cts
Mctan (Christopher) 2.9p
Radiant Metal Finishing 2p
Tex Abrasives 2.42345p
Town and City Props. 0.01p
UC Inv. 25.009030

### SATURDAY, SEPTEMBER 13

DIVIDEND & INTEREST PAYMENT—
Graig Shipping Ord. and A 10p

### SUNDAY, SEPTEMBER 14

DIVIDEND & INTEREST PAYMENT—
FFI (UK Finance) Ln. 6¼pc



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# Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● PROCESSING

## Advanced graphics camera

DEVELOPMENTS MADE by Itek in the U.S. mean that graphics cameras can be offered which combines the quality and cost advantages of diffusion transfer materials with automated operation in daylight. The machine, designated model 530, is microprocessor assisted.

In diffusion transfer the image is first recorded on Imager material and in a chemical bath is transferred to a sheet of receiver material, resulting in higher quality and less cost than direct processes states Itek.

In the 530 however, all the operator has to do is load the receiver sheet and the original and press some buttons. Then, the cartridge fed light sensitive Imager material is automatically cut to the necessary length, exposed, transported and joined with the receiver sheet, immersed in appropriate chemicals and moved into a transfer compartment. After 15 to 60 seconds a light and an audible signal will indicate that the materials can be removed and peeled apart.

Thus, no darkroom is needed and there is no off-line processing. Furthermore, highly trained personnel are not required as a result of microprocessor control.

The micro has some 16 different programs selectable by the operator and these relate to such things as type of final image (screened, positive, negative, etc.) lighting, density, diffusion time and so on, all of which can be set in by the operator and remembered by the machine. The micro will calculate exposure length, per cent reduction, halftone density and will compensate for density variances, set the aperture, adjust lens and copyboard and control material feed and motion.

Most of the needs of newspaper and magazine publishers, advertising agencies and art studios, commercial and in-plant printers can be met by the 530 claims Itek. Most kinds of output can be catered for by the range of Imager materials available. These include positive or negative paper, glossy positive paper, positive imaging film, positive paper with adhesive backing, positive film with adhesive backing and colour imaging film.

All of these imaging materials are held in light proof roll fed cartridges for easy handling and interchangeability for different end results.

Positives or negatives on film or paper, line conversions, halftones, screened prints, reversals, transparencies and colour separations — all can be dealt with in a couple of minutes or so.

The camera occupies 4720 x 1520 mm of floor space and weighs about 360 kg.

Itek's European office is at 1 Thames Street, Windsor, Berkshire SL4 1PL (Windsor 56941).

● VENTILATION

## Keeps the damp at bay

A SIMPLE but effective device from Sweden, the Torrball is about the size of a goldfish bowl and can be put in storerooms, transport containers, cellars, bathrooms, cupboards or in any enclosed space with little or no ventilation where excessive humidity might cause mould, rot, corrosion or deterioration of goods.

The unit has upper and lower compartments. The upper contains deliquescent chloride salts contained in a perforated "colander" while the lower is initially empty. Once a sealing wrapper is removed the salts absorb moisture from the air, first becoming damp and then dissolving, the solution dripping down into the vessel beneath.

In a completely closed space the Torrball will reduce relative humidity to below 40 per cent and will remain effective for up to three months without attention. After that the solution is simply poured away (it is non-toxic) and a new colander of crystals inserted.

The UK supplier is Better Airproducts, c/o The Swedish Trade Commissioner's Office, 73 Welbeck Street, London W1M 8AN (01-935 9601).

## Managers lose in pay race

SALARIES OF data processing managers grew more slowly than any other computer specialism last year, but even so the median salary for the post is now £9,944.

Based on a survey of 1,433 installations, the Computer Users' Year Book 1980 published today, shows that dp managers achieved average pay increases of 18.43 per cent between 1979 and 1980 while programmers, who are in short supply and great demand, achieved an average of 26.32 per cent.

The median salary for a chief programmer in the survey, which was carried out in May this year, was £8,366.

The survey shows that, across the country, some 7 per cent of dp managers now earn over £15,000 a year compared with only 2 per cent of chief systems analysts.

The survey covered, for the first time, the salaries paid to graduate trainees. It shows their average pay is £4,319 a year, but that jobs are hard to find. Only 204 were employed in the 1,433 installations surveyed.

● DATA PROCESSING

| Appointment | Median Salary £ p.a. 1980 | 1979 | Salary increase £ p.a. | Percentage |
|---|---|---|---|---|
| Dataprocessing Manager | 9944 | 8111 | 1833 | 18.43 |
| Chief Systems Analyst | 9500 | 7678 | 1822 | 23.73 |
| Chief Analyst/Programmer | 9000 | 7153 | 1847 | 25.82 |
| Senior Systems Analyst | 8375 | 6750 | 1625 | 24.07 |
| Chief Programmer | 8366 | 6900 | 1466 | 21.24 |
| Operations Manager | 7545 | 6269 | 1276 | 20.35 |
| Systems Analyst | 7400 | 5952 | 1448 | 24.33 |
| Senior Analyst/Programmer | 7312 | 6000 | 1312 | 21.87 |
| Senior Programmer | 6853 | 5522 | 1331 | 24.13 |
| Analyst/Programmer | 6500 | 5180 | 1320 | 25.48 |
| Systems Programmer | 6428 | 6026 | 402 | 6.71 |
| Chief Operator | 5875 | 5029 | 846 | 16.82 |
| Shift Leader/Senior Operator | 5531 | 4789 | 742 | 15.49 |
| Programmer | 5342 | 4229 | 1113 | 26.32 |
| Data Control Supervisor | 4678 | 4000 | 678 | 16.95 |
| Data Preparation Supervisor | 4416 | 3642 | 774 | 21.25 |
| Graduate-level Trainee | 4319 | — | — | — |
| File Librarian | 4136 | 3453 | 683 | 19.77 |
| Computer Operator | 4111 | 3477 | 634 | 18.23 |
| Junior Programmer | 4019 | 3279 | 740 | 22.56 |
| Data Preparation Operator | 3462 | 2812 | 650 | 23.12 |

Source: Computer Users Year Book

The CUYB is the Bible of the computer industry. Its coverage grows more extensive each year. In the 1980 volume, the list of contents includes recruitment services, computer standards, computer literature and guides to the hardware on the market.

Installed hardware is now analysed by geographical location, by manufacturer and alphabetically by name of company. In all it lists 26,872 digital computers in 9,608 installations, a growth of 12 per cent over the previous year.

Greatest growth in the industry was in companies offering consultancy or advice to users and potential users. The CUYB now lists 765 such firms, an increase of 25 per cent on 1979.

The CUYB costs £32.95; Robert Grant on 0202 302464 will give more information.

## Copes with building industry finance

AN ACCOUNTING system using a Zilog Z80-based Cromemco System 3 micro computer designed specifically for the building industry has been announced by Micro Scope, Mill Lane, Taplow, Maidenhead, Berks. (0628 72047).

Called Micro Cost, it is essentially a sales, purchase and contracts ledger system which is claimed to enable users to break down estimated building project costs into distinct budget areas, separating out direct costs such as materials and labour and helping to make significantly more accurate cost forecasts, and to keep the total costs within the quotations given to customers.

The first customer for the system is Kelsey Roofing, which has ordered three for its offices in Glasgow, Solihull and Wakefield. The Wakefield system is already running.

The system is claimed to perform all sales, purchase and contract ledger functions, monitor payments due and owed, maintain a comprehensive work-in-progress file, and enable a user to forecast more accurately the probable profit on a particular project.

All the transactions processed are audited. The "audit trail" is produced as the system files are updated and all the information producing that audit can be used later to recover the system after, for example, a malfunction caused by a power cut.

A special feature claimed for Micro Cost is the advanced screen handling routine which makes it easy to use by inexperienced staff, who require only a short period of training.

A typical configuration for a building company would comprise a Cromemco System 3 128K bytes of core, two visual display units, a 160 characters-per-second printer, and two dual floppy discs. Costs of a typical system would start at about £15,000.

Micro Scope also claims to have developed a modular concept of staff training. Seminars and courses can be assembled for a range of customers' staff from senior executives to design engineers. In-house courses can include "hands-on" use of the equipment, which may be installed temporarily on the customer's premises.

## Computer output on microfilm sales growth

AFTER SOME 18 months of activity in the European market and after a somewhat hesitant start, Kodak has just announced that sales of its Komstar computer output on microfilm (COM) machines have passed the 100 mark.

Since the same milestone was passed in the U.S. in 1977 it seems likely that total sales of this £60,000 machine are now in the 300 region.

An important aspect of the Kodak machine is that it does away with wet chemistry altogether and so can be regarded by computer room staff as another electronic peripheral. It can work on line from tape and uses a helium neon laser in a 9 x 7 matrix arrangement to write characters at between 10,000 and 20,000 per second. It can produce output on 105 mm film for fiche, or on 16 mm film. The fiche output is equivalent to one every 40 seconds, each holding 476 pages or frames.

Kodak believes that a considerable number of Komstar sales can be attributed to the ability to run the machine on line in the computer room itself and to have access to the results in two or three minutes without conventional photographic processing.

Previously, says Kodak, users tended to put such work out to a COM bureau with the attendant disadvantages of cost, the need to produce a tape for off line running and the delay resulting from sending the tapes to another location.

UK sales to date include installations, now up and running, at the Midlands Electricity Board, Northern Bank Belfast, Bank of America, the Severn Trent Water Authority and Manufacturers Hanover Trust. There are eight installations under negotiation at the moment including two public utilities, two major insurance companies, a major bank, two manufacturing companies and a government department.

A benchmark of reliability for Komstar is given, states Kodak, by the fact that some 14m frames of data have been printed at MEB with no loss of production deadlines.

● SHIPPING

## Carriage of peroxide by sea

RELEASED BY Lloyds Register of Shipping are some datails of a feasibility study made to determine the classification requirements for a ship to transport hydrogen peroxide in bulk.

The chemical is of course, a strong oxidising agent which if contaminated is liable to decompose with the production of considerabla heat. The study assumes that the chemical would be stabilised hydrogen peroxide of 70 per cent concentration by weight. Although this product is fundamentally stable, the ship would have to be equipped to deal with contamination or leakage emergencies.

Lloyd's Register takes the view that such a ship should be used exclusively for peroxide bulk transport and it would be required to comply with LR's chemical tanker rules for type A cargoes.

Clearly, materials used in the construction of the cargo tanks and piping systems must not promote decomposition of the chemical. Certain grades of stainless steel and aluminium are suitable and the former should be passivated.

The tanks should be free from internal supporting members and major structural irregularities and they should not be partially filled, to avoid damage and possible consequent leakage. Detectors should be arranged in spaces adjacent to tanks.

It will also be necessary in electrical and control engineering design aspects on the ship to take into account the possible presence of an enriched oxygen atmosphere. In addition a centralised monitoring system should be installed on the bridge with audible and visual alarms to detect leakage of cargo into spaces adjacent to the tanks. Safety requirements include the provision of a water spray system for cooling, diluting and washing away any spillage, and fire protection facilities.

Lloyd's Register of Shipping is at 71 Fenchurch Street, London EC3M 4BS (01 709 9166).



● INSTRUMENTS

## New chart recorders

LATEST IN the Multi-Scan series of chart recorders from Taylor Instrument is the 3100, available in six, 12 or 24 point versions with a wide range of paper speeds and housed in a completely re-designed case that simplifies both calibration and maintenance.

These recorders make use of the well-established Sybron magnetic balancing device (MBD) which has the merit of doing away with the customary slidewire for pen position feedback.

Instead, the ten inch movement of the pen across the paper is converted by a simple cam and lever system into 15 degrees of rotation on a shaft which in turn is coupled to the moving core of a twin coil magnetic induction device. Movement of the core unbalances the coils and, in conjunction with the measured parameter, provides a signal to drive the pen to a new null position.

By dispensing with slidewire, pulleys and cords, MBD allows the recorder's performance to be maintained in hostile environments and in dusty or corrosive atmospheres.

The number of recording points in use can be expanded in-situ to the maximum by means of an accessory kit, so that future needs can be met at a minimum cost. Printing can be in six colours to make the records easier to read and interpret.

Chart speeds can be easily selected for rates of 20, 40 or 60 mm per hour, but there are 17 other selections from 51 speeds available.

Each recorder accepts inputs from thermocouple, millivolt, analogue current and resistance sources, while a multiple input span option allows the connection of up to four different inputs (type or range) on one recorder.

Easy front access to zero and span adjustments is provided and the useof integrated circuits in a modular design together with an off-scale inking system makes print belt and ink wheel replacement straightforward.

Taylor Instrument, Gunnels Wood Road, Stevenage, Hertforshire (0438 2366).

# Building and Civil Engineering

## £7.6m Mowlem contracts

THE CONTRACT for the superstructure of the Wellington North Hospital in St. John's Wood, London, worth about £6.5m, has been won by John Mowlem and Co.

Mowlem has already won the £1.1m contract for the substructure and has been at work since April this year.

The new building will have seven floors and a basement at either side of the British Rail tunnel which runs underneath the site.

Designed by London architects YRM, the building will be of reinforced concrete on piled foundations with a cladding of Travertine marble.

Consulting engineers are Ove Arup and Partners and the quantity surveyors are Monk and Dunstone and Mahon and Sears, both of London. Completion is expected in two years.

Mowlem has also won three contracts in Yorkshire and North Humberside.

The largest, valued at about £780,000, is for erecting a single-storey building of about 24,760 square feet for M. H. Whittaker and Son at the Sandbeck Way Estate, Wetherby. Designed by David Lyons and Associates, it will have a steel frame, brick dwarf walls and pre-coated aluminium cladding.

A £230,000 contract, from the British Transport Docks Board, Goole, is for a new wall at South Dock. At Leeds General Infirmary in Great George Street the Yorkshire Regional Health Authority has awarded Mowlem a £100,000 contract to replace two lifts and ancillary equipment.

## Several awards to Crown House

CONTRACTS TOTALLING £5.65m have been awarded to Crown House Engineering.

Sterling Winthrop Research and Development has placed contracts worth approximately £1.16m for its new building in Alnwick, Northumberland. Electrical services will include small power, lighting, lightning protection, PA systems, fire alarms, internal telephones and computer wiring to laboratories and offices. Heating services and automatic sprinklers are included. Rush and Tompkins is the chief contractor and Ronald Chipchase and Associates the architects.

The London Borough of Havering has awarded Crown a contract worth £1.22m for electrical and mechanical services to the new Dolphin leisure centre in Romford, Essex. Thomas Bates and Son is the chief contractor and Wilson Seadon is the quantity surveyor.

The BBC has given Crown contracts worth £1.1m for the installation of an oil fired boiler system at an office block in Shinfield Street, London, W12, while West Glamorgan County Council has awarded a contract worth £1.44m for mechanical services, including air conditioning to new offices in Swansea.

Other contracts have been awarded by the Co-operative Society, Dartford Borough Council and the Standard Bank of South Africa.

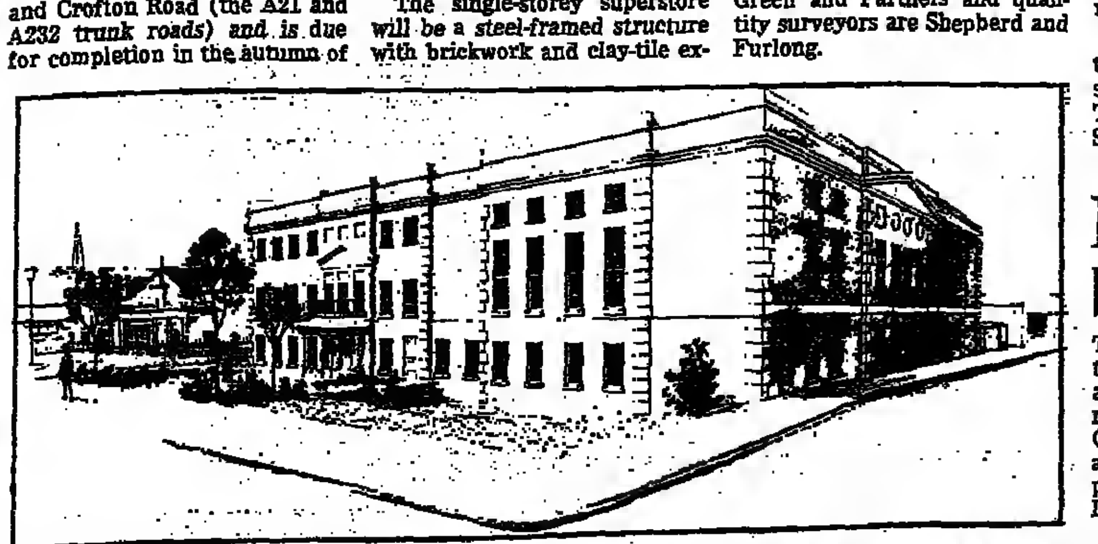
## To build store for Keymarkets

A Superstore is being built under a £3m contract at Locksbottom, near Bromley, Kent for Keymarkets by Y. J. Lovell (Southern).

The store will be at the junction of Farnborough Common and Crofton Road (the A21 and A232 trunk roads) and is due for completion in the autumn of next year. Construction of the store will also involve the erection of a two-storey office block, and the carrying out of a metropolitan highway improvement scheme on behalf of the Greater London Council.

The single-storey superstore will be a steel-framed structure with brickwork and clay-tile external cladding and a multi-coloured clay-tile pitched roof. Floors will have a terrazzo finish.

Architects for the project are Essex Goodman and Suggitt. Structural engineers are Ernest Green and Partners and quantity surveyors are Shepherd and Furlong.



Shepherd Building Service is to construct an entertainment and conference centre at Llandudno for Aberconwy Borough Council. The £1.7m centre is to be built in an "architecturally sensitive" conservation area and, as this artist's impression shows, will be of 19th century style so that it will harmonise with nearby buildings. Completion is due in October 1981.

## £6m work for Rush & Tompkins

AN administration and laboratory facility at Alnwick, Northumberland for Sterling Winthrop Research and Development of Fawdon, Newcastle on Tyne, is to be built by Rush and Tompkins.

The contract, which will be worth about £6m when negotiations on variation are completed, calls for an office and laboratory building with plant room over, a two-storey link block and a further laboratory building.

The architects are Ronald Chipchase and Associates.

## £3.42m work centre in Trinidad

WORTH IN all £3.42m, a contract for a work centre has been placed with Kier International by the Trinidad and Tobago Telephone Company, Port of Spain, Trinidad.

The contract is to take 12 months to complete starting on September 15.

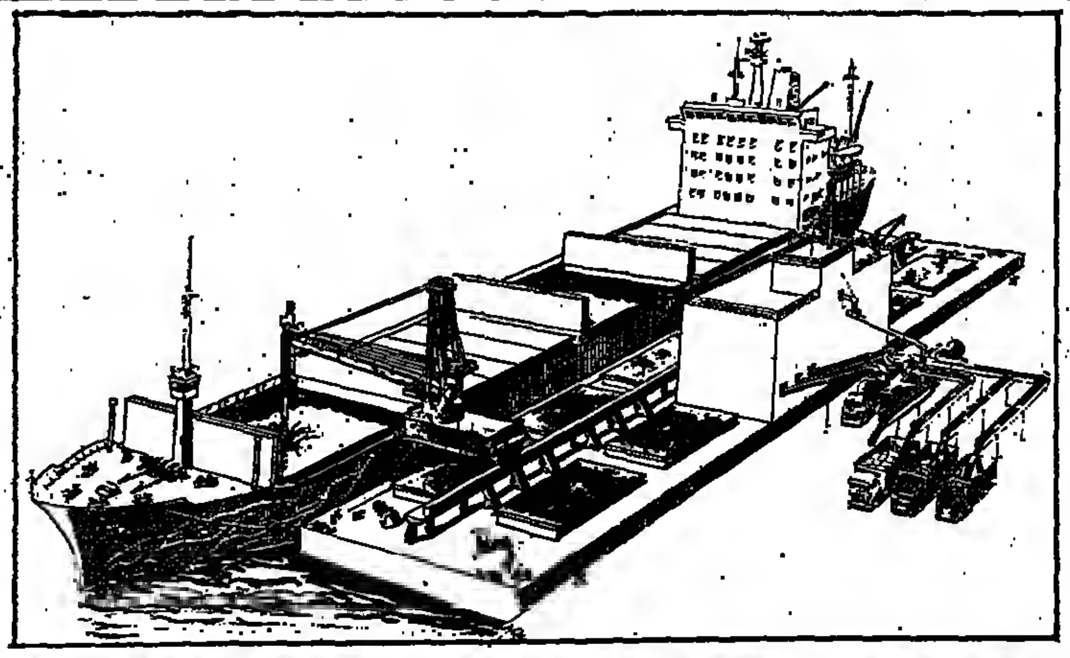
The work involves construction of an office building, workshop, engineering, personnel and supplies department together with a canteen, changing rooms and lavatories.

The new building will have three storeys and contain 79,700 sq ft of enclosed floor area. The architects are Gillespie and Steel Associates.

## Factories to be designed

TAYLOR Woodrow Construction (Midlands) has been awarded a design and management contract by British Gypsum for civil engineering and building work for two new plasterboard plants at East Leake, Nottinghamshire.

This is part of the latter's £34m rationalisation and modernisation programme. Design work has begun and construction will start in the autumn.



An impression of a floating cement terminal which is being designed by Saltech, a member of the Swedish Salénínvest group. It has been commissioned by the National Cement Company a Saudi Arabian company based in Jeddah and, will be sited initially in the port of Yanbu. The terminal will handle 1.5m tons of cement a year and will supply cement for a new industrial complex to be built in the port area during the next five years. Large quantities of cement required for construction works will be shipped to the terminal in bulk carriers for unloading, in sacks and bulk, into trucks for transport inland. When construction of the complex draws to a close and the local cement plants are completed, it will be possible to tow the terminal to another site where cement imports have to be handled. The terminal, which is to be built by an as yet unnamed Far Eastern shipyard, is scheduled to be in position and to come into operation in October 1981. Salén Dry Cargo and Saltech will operate the terminal.

## N Sea drilling structure

CLEVELAND BRIDGE and Engineering, one of the Trafalgar House group of companies, has been awarded a £3.3m contract by Matthew Hall Engineering.

The contract is for the fabrication of a drilling substructure for tha BP Magnus field.

It will be built at Cleveland's Port Clarence facility on Teeside and taken out to field on giant rafts.

The work includes module cladding, installation of air conditioning, fire protection systems and heating and ventilation services.

It also includes the installation of piping, and electrical instrumentation for the drilling operation.

The module will weigh 1,100 tonnes and is to be completed, ready for systems testing by November 1981.

## Overseas hospital units

ONE OF the UK's leading exporters of steel-framed buildings and a leading health care management company have formed a new organisation to export modular hospital units.

Conder Buildings Overseas and United Medical Enterprises call the new venture Umedicon. It aims to provide a full range of hospital services from design through construction, equipping and commissioning.

The company can supply a range of sizes of hospital to meet a wide number of differing use and cost requirements.

For example, Umedicon can supply small hospitals of about 60 beds in two wards with allowances for growth to 120 beds, up to large hospitals of 300 beds or more.

The basis of construction is a structural steel frame fitted with external cladding and roofing elements.

Umedicon is on 01-730 4511.

## McGregor £5m award

CONSTRUCTION OF the Springhill Disposal Point near Cannock in Staffordshire, a contract worth in excess of £4m has been awarded to Robert McGregor and Sons by the National Coal Board. Completion is expected in 78 weeks.

McGregor has also won an £800,000 contract for the construction of the Eaves Green District Distributor Road Phase One for Central Lancashire New Town.

## Industrial project by Bryant

BRYANT HOLDINGS and Samuel Properties through their jointly owned company Bryant-Samuel (Southern) is undertaking a new industrial development at Fareham, Hampshire in association with Tha Standard Life Assurance Company of Edinburgh.

The development, the second stage of Fareham Industrial Park, is located close to junction 11 of the M27 motorway. The 140,000 sq ft scheme comprises 21 industrial units ranging in size from 1,500-13,000 sq ft.

The £2.3m construction contract is being carried out by Bryant Construction and will be in the summer of 1981.



## Awards to Laing

NEW operations buildings are to be built at the Armament Experimental Establishment at Boscombe Down, Wiltshire, under a contract worth more than £2m awarded to the Civil Engineering Division of John Laing Construction by the Property Services Agency.

Work has just started on five buildings and is due for completion at the end of 1981.

Laing has also won a £2.6m contract for an operations centre for the Metropolitan Police at New Scotland Yard, London.

The building work, due for completion by late 1981, is in connection with the Metropolitan Police Command and Control project to provide a new control centre for traffic and other operations. It involves fitting an area as an operations suite, including a new information room, traffic control room and operations room.

### IN BRIEF

● The Methodist Home for the Aged has appointed Bovis Construction to extend its Liverpool home under a £450,000 contract.

● SACEM International has negotiated with the Saudi Tourist and Travel Bureau (STTB) a contract for the turnkey construction of a warehouse value £200,000 in Saudi Arabia.

# WORLD STOCK MARKETS

## NEW YORK

| 1980 High | 1980 Low | Stock | Sept. 5 | 1980 High | 1980 Low | Stock | Sept. 5 |
|---|---|---|---|---|---|---|---|
| 24¼ | 17⅞ | Citicorp | [illegible] | [illegible] | [illegible] | Georgia Pac. | [illegible] |
| 46 | 37¾ | Cities Service | 43¼ | 37⅛ | 43 | Geosource | 37⅛ |
| 29 | 14¾ | City Investg | 26¾ | 25½ | 17⅞ | Gerber Prod. | 23 |
| 39⅜ | 29⅜ | Clark Equipment | 36¼ | 96¾ | 66½ | Getty Oil | 77¾ |
| 37⅜ | 26 | Cleve Cliffs Iron | 35⅞ | 36 | 18⅛ | Giddings Lewis | 33¾ |
| 10¾ | 8 | Clorox | 10⅜ | 30½ | 18⅞ | Gillette | 30⅛ |
| 11⅛ | 6⅞ | Cluett Peaby | 10⅛ | 51¾ | 18¾ | Global Marine | 51¾ |
| 38 | 28⅞ | Coca Cola | 36⅝ | 25⅛ | 13½ | Goodrich (BF) | 22⅜ |
| 6⅞ | 4 | Coca Btl. NY | 6⅜ | 16⅜ | 10⅞ | Goodyear Tire | 16¼ |
| 18 | 11⅝ | Colgate Palm | 15⅜ | 28⅞ | 20 | Gould | 25 |
| 9⅛ | 6¼ | Collins Aikman | 9 | 47⅛ | 33¼ | Grace | 46¾ |
| 53½ | 36½ | Colt Inds | 44½ | 26⅞ | 25¾ | Grainger (WW) | 53⅝ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 22⅜ | 19⅜ | 10½ | Memorex | 15¾ | 72¾ | 48¼ | Santa Fe Inds | 32¼ |
| 16¼ | 40¾ | 30¾ | Mercantile Sts. | 37 | 59 | 30 | Santa Fe Intl. | 69 |
| 25 | 79¾ | 60¾ | Merck | 77⅞ | 10⅜ | 6¼ | Saul Invest | 10 |
| 46¾ | 42½ | 38 | Meredith | 40⅜ | 8⅛ | 4¼ | Saxon Inds | 7⅜ |
| 53⅝ | 32⅛ | 17⅜ | Merrill Lynch | 32⅛ | 44½ | 29⅛ | Schering Plo. | 40¾ |

## CANADA

## HOLLAND

## HONG KONG

## JAPAN

## ITALY

## NORWAY

## SWEDEN

## SWITZERLAND

## FRANCE

## AUSTRALIA

## SOUTH AFRICA

## BRAZIL

## TEL AVIV

## SINGAPORE

## AUSTRIA

## BELGIUM/LUXEMBOURG

## GERMANY

## DENMARK

# Indices

## NEW YORK —DOW JONES

| | Sept. 5 | Sept. 4 | Sept. 3 | Sept 2 | Aug. 29 | Aug 28 | 1980 High | 1980 Low | Since Cmpil't'n High | Since Cmpil't'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| ◆Industr'ls | 940.96 | 948.81 | 955.16 | 940.78 | 932.59 | 930.38 | 969.72 (16/8) | 759.19 (21/4) | 1051.70 (11/73) | 41.22 (2/7/32) |
| H'me B'nds | 98.50 | 98.40 | 69.75 | 68.88 | 68.58 | 68.82 | 76.67 (25/6) | 63.87 (28/3) | — | — |
| Transport | 325.49 | 337.78 | 329.15 | 324.82 | 320.11 | 317.06 | 329.15 (3/9) | 283.68 (27/3) | 329.15 3/9 | 12.23 (8/7/32) |
| Utilities | 112.75 | 112.98 | 113.36 | 111.50 | 110.88 | 113.26 | 118.88 (8/7) | 96.04 (27/3) | 163.32 (20/4/69) | 10.52 (28/4/42) |
| Trading Vol 000's | 38,150 | 58,480 | 52,630 | 35,380 | 36,813 | 39,890 | — | — | — | — |

◆Day's high 950.68 low 937.03

| Ind. div. yield % | Aug. 29 | Aug. 22 | Aug. 15 | Year ago (approx |
|---|---|---|---|---|
| | 5.75 | 5.89 | 6.53 | 5.58 |

### STANDARD AND POORS

| | Sept. 5 | Sept. 4 | Sept. 3 | Sept 2 | Aug. 29 | Aug 28 | 1980 High | 1980 Low | Since Cmpil't' High | Since Cmpil't' Low |
|---|---|---|---|---|---|---|---|---|---|---|
| ‡Indust'ls | 141.71 | 144.99 | 143.18 | 140.46 | 130.89 | 138.55 | 144.69 (4/9) | 111.09 (27/7) | 144.99 (4/9/80) | 3.52 (30/6/32) |
| §Composite | 124.88 | 127.70 | 126.12 | 125.74 | 122.38 | 122.08 | 127.70 (4/9) | 98.22 (13/2) | 127.70 (4/9/80) | 4.40 (1/6/32) |

| | Sept. 4 | Aug. 28 | Aug. 20 | Year ago (approx) |
|---|---|---|---|---|
| Ind. div. yield % | 4.64 | 4.73 | 4.72 | 5.19 |
| Ind. P/E Ratio | 8.61 | 8.34 | 8.56 | 7.87 |
| Long Gov. Bond Yield | 11.02 | 11.32 | 11.10 | 9.11 |

### N.Y.S.E. ALL COMMON

| Sept. 5 | Sept. 4 | Sept. 3 | Sept. 2 | 1980 High | 1980 Low |
|---|---|---|---|---|---|
| 72.13 | 73.41 | 72.71 | 71.28 | 73.29 (4/9) | 65.30 (27/3) |

| Rises and Falls | Sept. 5 | Sept. 4 | Sept. 3 |
|---|---|---|---|
| Issues Traded | 1,906 | 1,923 | 1,923 |
| Rises | 693 | 767 | 1,354 |
| Falls | 812 | 811 | 314 |
| Unchanged | 401 | 345 | 258 |
| New Highs | — | 207 | 157 |
| New Lows | — | 5 | 3 |

### MONTREAL

| | Sept. 5 | Sept. 4 | Sept. 3 | Sept. 2 | 1980 High | 1980 Low |
|---|---|---|---|---|---|---|
| Industrial | 388.82 | 390.16 | 392.80 | 387.64 | 423.80 (29/2) | 323.21 (27/3) |
| Combined | 368.73 | 384.70 | 368.80 | 362.49 | 378.90 (29/2) | 296.90 (27/3) |
| TORONTO Composite | 2288.8 | 2272.73 | 2265.5 | 2239.1 | 2271.7 (22.8) | 1702.5 (27/3) |

| | Sept. 5 | Sept. 4 | Sept. 3 | Sept. 2 | 1980 High | 1980 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| Sydney All Ord. (1/1/80) | 959.9 | 955.19 | 962.38 | 954.95 | 978.54 (29/8) | 760.90 (2/1) |
| Metal & Minrls. (1/1/80) | 6167.22 | 6147.88 | 6197.57 | 6138.03 | 6680.85 (14/2) | 4591.26 (28/3) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (2/1/62) | 67.20 | 67.27 | 67.24 | 67.20 | 69.40 (7/1) | 65.86 (18/8) |
| **BELGIUM** | | | | | | |
| Belgian SE (31/12/63) | 91.56 | 91.63 | 91.61 | 91.64 | 106.75 (11/2) | 98.14 (31/3) |
| **DENMARK** | | | | | | |
| Copenhagen SE (1/1/73) | 87.15 | 89.87 | 85.57 | 86.52 | 87.20 (12/8) | 74.78 (6/3) |
| **FRANCE** | | | | | | |
| CAC General (29/12/61) | 111.80 | 111.8 | 111.5 | 111.2 | 117.5 (22/2) | 87.1 (3/1) |
| Ind Tendance (28/12/79) | 117.8 | 118.3 | 117.4 | 117.9 | 118.9 (4/8) | 95.8 (3/1) |
| **GERMANY** | | | | | | |
| FAZ-Aktien (31/12/58) | 233.02 | 233.05 | 230.75 | 229.59 | 238.88 (25/2) | 212.75 (28/3) |
| Commerzbank (Dec. 1953) | 730.5 | 723.5 | 723.5 | 721.1 | 749.2 (25/2) | 667.0 (27/3) |
| **HOLLAND** | | | | | | |
| ANP-CBS General (1970) | 85.2 | 85.2 | 85.5 | 85.1 | 86.0 (25/7) | 74.5 (27/3) |
| ANP-CBS Indust. (1970) | 64.8 | 64.8 | 64.7 | 65.0 | 68.2 (11/1) | 58.2 (28/3) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 1212.71 | 1215.62 | 1237.79 | 1224.99 | 1239.85 (1/9) | 738.9 (18/3) |
| **ITALY** | | | | | | |
| Banca Comm. Ital (1972) | 130.78 | 129.27 | 127.74 | 120.75 | 130.78 (5/9) | 83.11 (2/1) |
| **JAPAN** | | | | | | |
| Dow Average (16/5/49) | 6949.69 | 6917.56 | 6897.27 | 6913.40 | 6963.98 (5/9) | 5476.93 (27/3) |
| Tokyo New SE (4/1/68) | 480.78 | 479.55 | 478.74 | 478.19 | 480.78 (5/9) | 445.01 (10/3) |
| **NORWAY** | | | | | | |
| Oslo SE (1/1/72) | 121.77 | 122.86 | 121.61 | 120.22 | 144.78 (14/2) | 116.12 (28/3) |
| **SINGAPORE** | | | | | | |
| Straits Times (1966) | 603.44 | 606.29 | 603.96 | 606.36 | 606.98 (2/9) | 428.75 (3/1) |
| **SOUTH AFRICA** | | | | | | |
| Gold (1958) | 908.2 | (u) | 879.0 | 856.9 | 878.0 (5/9) | 649.8 (2/7) |
| Industrial (1958) | 626.1 | (u) | 614.7 | 610.5 | 625.5 (21/8) | 456.5 (2/1) |
| **SPAIN** | | | | | | |
| Madrid SE (28/12/79) | 107.49 | 106.98 | 159.14 | 105.85 | 107.49 (5/9) | 83.78 (18/6) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (1/1/58) | 555.40 | 554.29 | 554.65 | 554.65 | 556.98 (6/2) | 354.72 (17/1) |
| **SWITZERLAND** | | | | | | |
| Swiss BankCpn. (31/12/58) | 316.2 | 316.3 | 315.5 | 312.9 | 317.9 (11/2) | 276.3 (28/3) |
| **WORLD** | | | | | | |
| Capital Intl. (1/1/70) | — | 152.4 | 152.8 | 150.8 | 152.8 (4/9) | 120.5 (27/3) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. o Closed. u Unavailable.

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Sony | 713,000 | 12⅞ | +⅛ | Pullman | 297,100 | 49⅛ | +1⅛ |
| White Motor | 403,000 | 3⅞ | −1⅞ | Eli Lilly | 282,700 | 50⅞ | −1⅞ |
| Mobil | 337,300 | 66⅞ | −1⅛ | Polaroid | 281,300 | 29⅞ | +1⅞ |
| Gulf Oil | 355,300 | 39⅞ | −⅞ | Comm. Satellite | 270,600 | 40⅞ | +1⅞ |
| Banquet | 340,100 | 14⅞ | — | Uniroyal | 267,700 | 6 | +⅛ |

Financial Rand US$0.8 (Discount of 36%)

Spanish prices, Page

# Rising oil revenue gives new hope of better deal for Mexico's Indians

BY WILLIAM CHISLETT, MEXICO CITY CORRESPONDENT

GIANT, orange-colnured sheets of flaming natural gas light up the sky in Mexico's tropical, oil-rich state of Tabasco. Nearby there are thatched huts bousing people who look at the flared gas with a mixture of fear and awe. The flaring and the buts are the two symbols of contemporary Mexico—the one of "modern" Mexico, developlng one of the world's most promising new oil industries, the other the "traditional" Mexico whicb has changed little over the centuries.

Probably nowhere else in Mexico is such a pointed contrast drawn between the country's future—as a rising oil power and the dynamic effect this will have on the economy and the country's Indian past. These two different worlds of Tabasco are symbolised by the oil workers who wear tin helmets and the local indigenous population still wearing the traditional sombrero.

As the Mexican economy expands the stark contrasts between the world of modern, thrusting development and third world underdevelopment are in danger of becoming more marked and the risk of conflict is greater.

Now the Government is making a serious, concerted effort to improve the desperate plight of the 6m indigenous Mexicans—and it is mainly thanks to the oil. The rising oil revenue, probably around $11bn this year, is giving the Government resources to tackle this long overdue task.

The 1980-82 global plan reorientates public sector investment in favour of neglected sectors like agriculture and education. Growth of the dynamic oil sector, which in the past three years bas been breathtaking, will be slowed down in order to channel more funds into the impoverished countryside.

## Ethnic groups

The definition of indigenous is someone who belongs to one of Mexico's 73 different ethnic groups and whose standard of life is st subsistence level. Of these 6m over 1m speak no Spanish at all, but one of numerous ethnic languages. And most of the other 5m speak Spanish to varying extents.

If this definition of indigenous is broadened, as it is by the Government to include all those who are considered to be "marginados" (literally on the margin), then we are talking of 10m people nut of a total population of 68m.

With the increased resources has come a new approach to the indigenous problem. Now any idea of trying to assimilate Mexico's Indians into a general Mexican culture has been abandoned in favour of a multi-ethnic policy aimed st preserving their culture snd way of lifa. At the same time the Government wants the different ethnic groups to feel part of the Mexican nation.

To the visiting tourist Mexico's Indians are a colourful part of the country's folklore who dessed up in their bright, traditional costumes, perform ancient dances and re-enact rites to the amusement of foreigners or sell beautiful handwoven rugs and pottery at ridiculously low prices.

Apart from seeing Indian women begging in fashionable quarters of Mexico City like the Zona Rosa, accompanied by moonfaced, barefnoted children, visitors to Mexico have little idea of the size of the problem and the misery unless they get off the beaten track.

And should tourists visit the isolated areas of Mexico they will find a world totally alien to that of cosmopolitan Mexico City. For example, in the state of Nayarit there are still Indians who pray in their caves for a sick person's wandering soul.

Ever since the Spanish conquest of Mexico in 1521 Mexico's Indians, the original inhabitants of the country, have been treated as second class citizens. The conquistadores imposed their language, their Catholic religion and their legal system on the indigenous population.

When the Spanish yoke was cast off in 1821 and Mexico achieved independence the lot of Indians did not improve. By then Mexico was ruled by a pure European elite. The Indians were treated as colonials within what was a colony and they continued to suffer the same ruthless exploitation as the negros.

Later in 1910 the conservative dictatorship of Porfirio Diaz was overthrown and the constitution of 1917, which followed a bloody civil war, laid down the principles of a liberal aociety.

But good intentions amounted to little more than revolutionary rhetoric and the colonial attitude towards the indigenous population persisted. The very word "Indio" (Indian) bas now come to be used as a term of abuse meaning dirty, stupid, lazy—some of the many charges that are laid at the feet of the Indians as a backward element which is holding back the country's development.

What is so cruelly ironic about the attitude of mind which bas grown np is that most Mexicans have some Indian blood in them. Over 80 per cent of the population is mestizo (mixed blood). "If each of us examines our past he will discover that most of us have at least a centilitre of Indian blood in us," said a friend who works for the National Indigenous Institute (INI).

It is estimated that less thsn 5 per cent of the population is pure European. At the other end of the scale 10 per cent of the population is pure Indian.

The plight of the indigenous population of 6m, not to mention the other 4m, "non indigenous," who live in equal squalor, has reached such proportions that President Jose Lopez Portillo believes that a solution to this problem is vital for the country's stability.

## Modernisation

It is the indigenous population which has borne the brunt of the failures of the Mexican revolution. Economic policies of successive governments bave failed to improve their condition. Indeed, many argue that the policy of modernisation has left them worse off.

A study published recently in the magazine of the Banco Nacional de Comercio Exterior (the Government's foreign trade bank) revealed that whereas in 1958 the richest 5 per cent of the country's population bad an income 22 times greater thsn that of the poorest 10 per cent, by 1977 the gap had widened to the richest 5 per cent having an income 47 times greater.

Lip service has been paid to the ideals of the 1910 revolution. In the countryside 2.4m people bave an average annual per capita income of around $80.

The World Bank reported lsst year that 70 per cent of the urban population had access to safe water compsred to only 49 per cent of the rural population. In the countryside—where 40 per cent of the population produce 8.4 per cent of the GDP—28 per cent of the population have access to electricity compared to 80 per cent in the cities and towns.

No wonder that 1,000 people migrate to Mexico City each day from the countryside, according to official estimates. They arrive in the slums on the outskirts of the city, the women carrying young children on their backs wrapped up in rugs.

Mexico's best known writer and philosopher Octavio Paz bas written that "the theme of the two Mexicos, one developed, the other underdeveloped, is the central theme of our modern history, the problem on whose solution our very existence as a people depends."

Glyn Genin

An Indian conple in Villamosa, in the oil-rich state of Tabasco

Paz argues that the problem, however, is not just a quantitative one of wbether "the developed balf will be able to absorb the underdeveloped," but also one involving "historical and cultural realities" whicb cannot be reflected in statistics.

Apart from the purely economic aspects of the indigennus problem there is a realisation by the Government that the problem is also ooe of identity. Attempts to eliminate the cultures of the different ethnic groups and make them indistinguishable from the rest of the population have failed.

In fact, the wbeel bas come full circle in matters like bilingual education for in the past children were forbidden to speak any languages but Spanish in the classroom. Now a key element of a project being run by the National Indigenous Institute in conjunction with the education ministry is to provide 1.25m Indian cbildren with a bilingual education.

An extra 22,000 teachers from Indisn communitiea are being trained for the plan.

Political parties are becoming more involved in the issue whicb for years has provoked little more than platitudes from the Institutional Revolutionary Psrty (PRI), which has ruled Mexico without opposition for 50 years.

The introduction of proportional represeotation for 100 of the 400 seats at last July's eongressional elections, which are held every six years, has given the Left a voice in Parliament for the first time and ended the PRI's monopoly over political life. The PRI, as the ruling party, cannot hold any of the 100 proportional seats.

The presence of a vociferous Left in the congress is spurring the PRI into turning its well-worn revolutionary rhetoric into political action, for not only is the Left more active on the issue, but the Indians themselves are becoming better organised. They have their own national congress and are no longer content to be passive spectators.

Typical of the change of attitude by the Government ia the aevering of its relations with the Summer Institute of Linguistics (SIL). The Government used to leave the matter of studying Indian languages to the SIL, a protestsnt U.S.-based organisation which has been involved in Mexico since the 1930s for official education and which attempted to ignore ethnic cultures.

But mstters came to a hesd in September and the Education Minister bowed to demands to end its agreement with the SIL. Accusations were labelled agsinst the SIL thst it was involved in U.S. espionage and, contrary to the Mexican constitution, was proselytising. But more than this it went sgainst the Government's new policy of seeking the support and development of indigenous communities as a central part of Government policy.

The Government has given priority to the indigenous problem by creating a new organisation called Coplamar which reports directly to the President and therefore baa political weight. Coplamar is the umbrella organisation for the different projects aimed at the poorest 10m and money is being quickly channelled to it. In 1977, for example, the Indigenous Instituta alone bad a budget of 250m pesos ($11m) and this year Coplamar, which includes the Institute, has a budget of 11bn pesos ($486m).

Coplamar has just signed an agreement with Conasupo, the state's basic food agency, to distribute 500,000 tonnes of maize to indigenous people at the official price next year. Price speculation has been rife recently. Sugar, for example, whicb has an official, subsidised price of 2.10 pesos a kilo reaches some sreas at over 10 pesos a kilo because of transport costs and speculation.

Coplamar has also boosted the number of clinics in isolated rural aress by 2,000 this year—more than the number provided in the past 50 years.

And in the state of Tabasco ambitious plans are going ahead to turn lakes into cultivated land so that communities living by the water's edge can be self-sufficient in basic foods. I stood on one such piece of land which only a year ago was water and now it is sprouting maize and vegetables.

# Massey still hopes for deal with state

By Robert Gibbens in Montreal

MASSEY-FERGUSON, the troubled Toronto-based farm equipment producer, which controls the Perkins diesel engine company of Peterborough, is expected to announce its third-quarter results later today, and possibly to give some indication of whether it can go ahead with its long-proposed C$500m (U.S.$431m) equity financing package.

The announcements had been due on Friday when Massey stock trading was halted on the Canadian exchanges. However, although the Federal Government said it would not guarantee part of the proposed equity financing, it did not rule out other support moves as a result of continuing talks with Massey management. Both the Federal and Ontario Governments have argued that Massey is a case for rescue by the private sector because it is in sound operating shape, despite the C$200m Federal guarantee to Chrysler Canada and a C$10m grant by the Ontario provincial government.

Massey, which has major plants in Ontario, has made widespread lay-offs in several countries because of slack demand for farm equipment. The company now has between C$1bn and C$1.5bn of long and short-term debt. Though its operating earnings have stabilised since the C$257m loss reported for fiscal 1978, the interest burden is a major factor in its future. The high value of sterling is an adverse factor since the company's major diesel engine plant is located in the UK.

# Fiat strategy hinges on agreement with unions

BY RUPERT CORNWELL IN ROME

NEGOTIATIONS begin today between Fiat and Italian trade union representatives on the proposals put forward by Italy's biggest motor group effectively to reduce its workforce by 24,000 for the next 18 months.

After a summer of speculation and uncertainty, Fiat's plans were finally announced this weekend. They are part of an overall strategy of the group of reducing output by 20 par cent until the end of 1981.

This, in practice, means a cut of 457,000 in the scheduled production of 2.25m vehicles during the period to bring output into line with depressed demand for cars, especially outside Italy itself.

The union/management discussions will be starting under perhaps slightly more promising auspices than seemed likely before the holiday closedown of August.

Fiat appears to have bowed to Government pressure to drop its original idea of immediate redundancies. These, it was feared, would have added greatly to the risk of a "hot autumn" on the labour front with unpredictable economic and political consequences.

Instead, Fiat has accepted the alternative of State-subsidised full unemployment pay for employees who nominally remain in the workforce. The unions have indicated their acceptance, and also seem ready to back early retirement schemes to help contain the labour force.

The crunch however will come if Fiat insists that these measures are inadequate and demands more drastic action to safeguard its future. The company will set out to union representatives its investment programme of L5,400bn ($6.4m) over the next five years—the centrepiece of its drive to lift its market share in Europe.

Rumours of a major fund-raising operation by the Turin group have surfaced intermittently this summer. Moreover, other financial aid may come from the car industry plan being put together here by the Industry Minister and from the L1,500bn special fund for sectors in difficulties, now part of the Government's economic package being studied by Parliament.

But help from the State, direct or indirect, appears to be implicitly conditional on Fiat avoiding redundancies in its present period of difficulty.

# Trebled first half profit for United Motor Works

BY WONG SULONG IN KUALA LUMPUR

UNITED MOTOR WORKS (UMW), the heavy equipment group, raised pre-tax earnings threefold in the first-half to June 30, to 16m ringgit (US$7.5m) from 5.2m ringgit in the same period of the previous year. Turnover rose 50 per cent to 178m ringgit (US$83.5m). After-tax profit was 7.7m ringgit compared with 2.1m ringgit.

UMW's results are indicative of the strong trading conditions enjoyed by heavy equipment distributors in Malaysia in recent months. Last week, UMW's largest competitor, Tractors Malaysia, the Sime Darby subsidiary, reported a 36 per cent jump in profits to a record 80m ringgit for the full year ended June.

Tractors holds the Caterpillar distributorship while UMW has the Komatsu agency, apart from being involved in various engineering activities related to heavy machinery. UMW's six months' earnings are already 22 per cent higher than the previous full year's profit of 13m ringgit.

However, the group expects second-half conditions to be less buoyant. It is paying an interim dividend of 5 per cent, compared with 3.75 per cent previously. Net earnings per share have risen from 5.8 cents to 17.1 cents.

# Mai Hon sells rest of Gammon House

By Philip Bowring in Hong Kong

MAI HON ENTERPRISES has announced that it sold all of Gammon House, the much-traded Hong Kong office block, for a total of HK$1.68bn (US$343m). Last month Mai Hon sold 75 per cent of the building to parties described as Bylamson and Associates (Nominee) and the Tsang family for HK$1.18bn. Now these parties have also agreed to buy the remaining 25 per cent stake for an additional HK$500m.

Gammon House has now changed hand four times in less than two years, during the course of which its value has gone up by 130 per cent.

# PENDING DIVIDENDS

| | Date | Announcement last year |
|---|---|---|
| *Allen Harvey and Ross | Sept. 11 | Int. 10.0 |
| Amst. Metal | Sept. 20 | Int. 3.0 |
| *APV | Sept. 25 | Int. 2.8 |
| *Armstrong Equipment | Sept. 24 | Final 1.72 |
| Aurora | Sept. 18 | Int. 1.55 |
| *BICC | Sept. 9 | Int. 2.75 |
| *BSR | Sept. 11 | Int. 1.418 |
| *Babcock Intl. | Sept. 10 | Int. 3.4 |
| *Bank of Scotland | Sept. 23 | Int. 7.25 |
| *Barratt Devs. | Sept. 23 | Final 7.355 |
| *Barrow Hepburn | Sept. 16 | Int. 5.0 |
| Booker McConnell | Sept. 13 | Int. 0.8 |
| *Bowater | Sept. 9 | Int. 4.25 |
| *British Vita | Sept. 10 | Int. 2.4 |
| *Brown Boveri Kent | Sept. 18 | Int. 1.429 |
| *Burmah Oil | Sept. 17 | Int. 1.5 |
| *Cape Inds. | Oct. 7 | Int. 3.9 |
| *Carpets Intl. | Sept. 10 | Int. 1.75 |
| *Collins (W.) | Sept. 10 | Int. 2.086 |
| Combined Eng. Stores | Oct. 5 | Int. 1.49 |
| *Cons. Gold Fields | Sept. 11 | Final 10 |
| Croda Intl. | Sept. 22 | Int. 1.5 |
| *Debenhams | Oct. 16 | Int. 2.0411 |
| *Delta | Sept. 22 | Int. 3 |
| Delta Metal | Sept. 20 | Int. 1.82 |
| European Ferries | Sept. 24 | Int. 1.5 |
| Expanded Metal | Sept. 12 | Int. 2.0 |
| Fisons | Sept. 24 | Int. 5.885 |
| Foseco Minsep | Oct. 1 | Int. 2.65 |
| *Guest Keen | Sept. 12 | Final 5.839 |
| *Guinness Peat | Sept. 11 | Final 4.0 |
| *Hall Engng. | Sept. 26 | Int. 3.1 |
| Harris Queensway | Oct. 2 | Int. 4 |
| *Hepworth Ceramic | Sept. 11 | Int. 2.25 |
| *H.M.E. | Sept. 10 | Int. 5 |
| Inveresk | Sept. 12 | Int. 1.0 |
| *Kleinwort Benson | Sept. 23 | Int. 2.5 |
| Laing (J.) | Sept. 28 | Int. 1.0 |
| Laird | Sept. 15 | Int. 1.7 |
| Laporte | Sept. 21 | Int. 3.5 |
| *Law Land | Sept. 17 | Int. 0.714 |
| *Lead Inds. | Sept. 10 | Int. 37 |
| Legal & Gen. | Sept. 12 | Int. 2.8 |
| Ldn. Merchant Securities | Sept. 8 | Final 0.665 |
| *Low and Bonar | Sept. 15 | Int. 3.14 |
| *Nurdin and Peacock | Sept. 10 | Int. 1.5 |
| *P. & O. | Sept. 10 | Int. 3.0 |
| *Ofrex | Sept. 16 | Int. 1.4 |
| *Pearson Longman | Sept. 2 | Int. 2.75 |
| *Pearson (S.) | Sept. 9 | Int. 3.75 |
| *Portals | Sept. 10 | Int. 4.25 |
| Prudential | Sept. 11 | Int. 3.5 |
| *Ransomes Sims & Jefferies | Sept. 22 | Int. 3.14 |
| Ready Mixed Concrete | Sept. 27 | Int. 3.35 |
| *Reckitt and Colman | Sept. 9 | Int. 3.5 |
| RTZ | Sept. 19 | Int. 4.5 |
| Rockware | Sept. 12 | Int. 2.33 |
| Rowntree Mackintosh | Sept. 19 | Int. 2.5 |
| Schroders | Sept. 13 | Int. 2 |
| *Sedgwick | Sept. 11 | Int. 3.0 |
| *Simon Eng. | Sept. 15 | Int. 4.0 |
| *STC | Sept. 19 | Int. 2 |
| *Standard Chartered Bank | Sept. 9 | Int. 10 |
| Tarmac | Sept. 24 | Int. 5.0 |
| *Tilling (T.) | Sept. 10 | Int. 3.0 |
| *Turner and Newall | Sept. 11 | Int. 4.5 |
| UDS | Sept. 13 | Int. 2.8 |
| *Utd. Biscuits | Sept. 11 | Int. 1.7 |
| United Newspapers | Sept. 25 | Int. 2.0 |
| *Vickers | Sept. 25 | Int. dus |
| *Waterford Glass | Sept. 30 | Int. 0.6 |
| *Willis Faber | Sept. 16 | Int. 3.5 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.





CORAL INDEX: Close 493-498 (+4)

# CURRENCIES, MONEY and GOLD

## Confidence in the guilder

BY COLIN MILLHAM

The Dutch guilder has generally experienced little difficulty in maintaining a firm position within the European Monetary System, and over the past couple of weeks has replaced the French franc as the strongest member of the system.

Although the Netherlands is suffering from similar economic problems to the rest of the industrialised world, these seem less severe than for some of Holland's neighbours, while high interest rates in comparison with inflation, and energy supplies in the form of natural gas, have helped to maintain international confidence.

During the past three months the guilder has risen by nearly 1 per cent against the D-mark and by a similar amount against the dollar.

Dutch unemployment has reached a post-war record this year, and the current account balance of payments remains in deficit, but these are common problems throughout Europe, and seem less serious in the Netherlands than in Germany, Italy and France.

At the same time interest rates in Amsterdam are competitively high despite the cut in the central bank discount rate by ½ per cent to 9 per cent on July 21. Domestic and Euro-guilder rates are around 10½ per cent, on an inflation rate of 6.6 per cent, compared with German rates of 8.5-9 per cent on an inflation rate of 5.5 per cent.

Unemployment and inflation seem likely to increase further, with the latter possibly touching 7 per cent, before easing next year. Against this background the Dutch Government faces a problem in preparing the forthcoming Budget for 1981 and keeping the public sector borrowing requirement under control.

The Netherlands is likely to become a net energy importer around the middle of this decade, but in the meantime is benefiting from the rise in oil prices by pushing up the value of the country's natural gas exports. In this way the guilder finds itself in a similar position to sterling, supported by high interest rates and energy supplies. Although an easing of interest rates to help Dutch industry, and a possible firming of U.S. rates, may depress the guilder, the future for the Dutch currency appears sound over the next year or so.

## GOLD

| | Sept. 5 | | Sept. 4 | |
|---|---|---|---|---|
| **Gold Bullion (fine ounce)** | | | | |
| Close | $650-653 | (£269-270¼) | $646-649 | (£267-268¼) |
| Opening | $648-651 | (£268-269¼) | $635½-639½ | (£264¼-265½) |
| Morning fixing | $647.50 | (£267.916) | $637.25 | (£264.309) |
| Afternoon fixing | $661 | (£269.376) | $647.25 | (£267.238) |
| **Gold Coins** | | | | |
| Krugerrand | $670-672 | (£277½-279½) | $667-669 | (£275½-277) |
| Mapleleaf | $664-668 | (£275-278) | $664-667 | (£274½-275½) |
| New Sovereigns | $164¼-165¼ | (£68-69) | $163½-164½ | (£67½-68½) |
| King Sovs | $194-195½ | (£80¼-81¼) | $194-196 | (£80-82) |
| Victoria Sovs | $194-195½ | (£80¼-81¼) | $194-196 | (£80-82) |
| French 20s | $165-166 | | $166-168 | |
| 50 pesos Mexico | $805-808 | | $799-809 | |
| 100 Cor. Austria | $636-659 | | $631-634 | |
| $20 Eagles | $775-779 | | $764-768 | |
| $10 Eagles | — | | — | |
| $5 Eagles | — | | — | |

## OTHER CURRENCIES

| Sept. 5 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 4629-4649 | 1919-1919 | Austria | 30.35-30.65 |
| Australia Dollar | 2.0645-2.0685 | 0.8555-0.8560 | Belgium | 68.35-68.95 |
| Brazil Cruzeiro | 134.25-135.25 | 55.645-55.845 | Denmark | 13.25-13.35 |
| Finland Markka | 8.79-8.81 | 3.6455-3.6455 | France | 9.95-10.02 |
| Greek Drachma | 102.234-104.784 | 42.55-42.75 | Germany | 4.26-4.31 |
| Hong Kong Dollar | 11.92-11.94 | 4.9380-4.9400 | Italy | 2030-2135 |
| Iran Rial | n.a. | n.a. | Japan | 525-530 |
| Kuwait Dinar(KD) | 0.641-0.647 | 0.2672-0.2673 | Netherlands | 4.55½-4.59½ |
| Luxembourg Frc. | 68.73-68.83 | 28.55-4.9657 | Norway | 11.60-11.70 |
| Malaysia Dollar | 5.1360-5.1450 | 2.1270-2.1290 | Portugal | 116-123 |
| New Zealand Dlr. | 2.4490-2.4540 | 1.0150-1.0150 | Spain | 171½-179¼ |
| Saudi Arab. Riyal | 7.98-8.04 | 3.3190-3.3210 | Sweden | 10.00-10.10 |
| Singapore Dollar | 5.1150-5.1250 | 2.1190-2.1210 | Switzerland | 3.94-3.97 |
| Sth. African Rand | 1.8175-1.8185 | 0.7530-0.7535 | United States | 2.411-2.421 |
| U.A.E. Dirham | 8.87-8.93 | 3.6860-3.6880 | Yugoslavia | 70½-74¼ |

Rate given for Argentina is free rate.

## THE DOLLAR SPOT AND FORWARD

| Sept. 5 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 2.4100-2.4185 | 2.4130-2.4140 | 1.22-1.12c pm | 5.82 | 2.80-2.70 pm | 4.56 |
| Ireland† | 2.1150-2.1225 | 2.1175-2.1225 | 0.75-0.65c pm | 3.97 | 1.65-1.55 pm | 3.03 |
| Canada | 1.1615-1.1630 | 1.1917-1.1620 | 0.12-0.08c pm | 1.03 | 0.32-0.27 pm | 1.01 |
| Nethlnd. | 1.9362-1.9395 | 1.9380-1.9390 | 0.06c pm-0.04 dis | 0.06 | 0.42-0.32 pm | 0.76 |
| Belgium | 28.50-28.61 | 28.55-28.57 | 1½-3c dis | −0.95 | 4-6 dis | −0.70 |
| Denmark | 5.5065-5.5160 | 5.5115-5.5130 | 3.60-4.10ore dis | −8.38 | 10-10½ dis | −7.44 |
| W. Ger. | 1.7790-1.7855 | 1.7810-1.7820 | 0.32-0.29pf pm | 2.05 | 1.33-1.28 pm | 2.93 |
| Portugal | 49.45-49.73 | 49.45-49.65 | 15-35c dis | −6.06 | 50-90 dis | −5.66 |
| Spain | 72.91-73.10 | 73.00-73.10 | 45-65c dis | −9.03 | 170-200dis | −10.13 |
| Italy | 847.20-848.80 | 847.70-848.00 | 7-9lire dis | −11.32 | 27-30 dis | −13.44 |
| Norway | 4.8105-4.8260 | 4.8105-4.8120 | 1½-2ore dis | −4.36 | 2.10-2.60dis | −1.95 |
| France | 4.1390-4.1475 | 4.1390-4.1410 | 0.25-0.40c dis | −0.94 | 0.45-0.70dis | −0.55 |
| Sweden | 4.1530-4.1565 | 4.1545-4.1560 | 1.40-1.55ore dis | −4.26 | 3.90-4.05dis | −3.83 |
| Japan | 217.70-218.90 | 217.85-217.95 | 0.15-0.25y dis | −1.10 | par-0.10 dis | −0.09 |
| Austria | 12.60¾-12.64½ | 12.63½-12.64½ | 0.75-1.35gro dis | −1.00 | par-1.75 dis | −0.28 |
| Switz. | 1.6320-1.6385 | 1.6320-1.6330 | 0.72-0.67c pm | 5.11 | 2.52-2.47 pm | 6.11 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

## EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU September 5 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 39.7897 | 40.5229 | +1.84 | +0.56 | ±1.53 |
| Danish Krone | 7.72336 | 7.82825 | +1.36 | +0.07 | ±1.64 |
| German D-Mark | 2.48208 | 2.53204 | +2.01 | +0.72 | ±1.125 |
| French Franc | 5.84700 | 5.88753 | +0.69 | −0.60 | ±1.3557 |
| Dutch Guilder | 2.74362 | 2.75353 | +0.36 | −0.93 | ±1.512 |
| Irish Punt | 0.668201 | 0.671584 | +0.51 | −0.78 | ±1.668 |
| Italian Lira | 1157.79 | 1203.72 | +3.97 | +2.79 | ±4.08 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 5)

| 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 11 7/16 | offer 11 9/16 | bid 11 6 | offer 11 15/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

## EURO-CURRENCY INTEREST RATES (Market Closing Rates)

| Sept. 5 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | West German Mark | French Franc | Italian Lira | Asian $ | Japanese Yen |
|---|---|---|---|---|---|---|---|---|---|---|
| †Short term | — | 10-10¼ | 7½-9 | 10¼-10½ | 2-2½ | 8½-8¾ | 11-11⅛ | 14-18 | 3⅜-3½ | 19½-13 |
| 7 days' notice | 16¼-16¾ | 10¼-10⅜ | 7⅞-9 | 10¼-10⅜ | 3½-4 | 8⅞-9 | 11-11⅛ | 15-18 | 10⅛-10¼ | 12½-13 |
| Month | 16½-16⅞ | 10¾-11 | 9½-9⅞ | 10⅛-10⅜ | 5¼-5⅝ | 8¾-8⅞ | 11½-11¾ | 20¼-22¼ | 10⅝-10¾ | 11⅞-12⅛ |
| Three months | 16¼-16⅝ | 11⅛-11¼ | 10⅛-10⅛ | 10⅛-10⅜ | 5⅛-5⅜ | 8⅝-8⅞ | 11⅝-11⅞ | 24-25 | 11⅛-11⅜ | 11⅛-11⅝ |
| Six months | 15¾-15⅞ | 11⅛-12⅛ | 10¾-11⅛ | 10⅛-10⅜ | 5⅛-5⅜ | 8⅛-8⅜ | 12-12¼ | 25½-22½ | 11⅜-11⅞ | 10¼-10½ |
| One Year | 14⅛-15⅛ | 11⅞-12⅛ | 11¼-11⅝ | 10⅛-10⅜ | 5⅛-5⅜ | 8⅛-8⅜ | 19¼-12⅛ | 24⅛-25⅛ | 11⅜-12⅛ | 9⅛-9⅝ |

Long-term Eurodollar two years 12¼-12½ per cent; three years 12½-12⅝ per cent; four years 12⅝-12¾ per cent; five years 12⅝-12⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rate in Singapore.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 10.70-10.80 per cent; three-months 11.40-11.50 per cent; six-months 11.45-11.55 per cent; one year 11.70-11.80 per cent.

## LONDON MONEY RATES

| Sept. 5 1980 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposits | Treasury Bills ⊕ | Eligible Bank Bills ⊕ | Fine Trade Bills ⊕ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 15¾-18 | — | — | — | 15-16¾ | 15⅛-18 | — | — | — |
| 2 days notice | — | — | 16⅝ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | — | — | — | — | — |
| 7 days notice | — | 16¼-16½ | 16½ | — | 16⅞ | 16⅝-16⅞ | 16¾ | — | — | — |
| One month | 16⅝-16⅛ | 16⅛-16⅜ | 16½-16⅝ | 17⅛-18 | 16⅜ | 16¾-16⅞ | 15¾ | 14⅜ | 15⅛ | 16⅞ |
| Two months | 16½-16⅜ | 16⅜-16½ | — | 17-17¼ | 16⅜ | — | 15⅝-15⅛ | 14⅜ | 16-16⅛ | 16⅝ |
| Three months | 16¼-16⅛ | 16⅛-16⅛ | 15¼-15⅝ | 16¼-16¾ | 15⅝ | 15⅝-15⅞ | 15⅛-16¼ | 14⅜-14⅜ | 15½ | 16 |
| Six months | 15⅛-16⅛ | 15⅛-15⅛ | — | 15½-15¾ | 15⅜ | 16-16⅜ | — | — | 14⅞-14⅞ | 18 |
| Nine months | 14⅝-14⅛ | 14⅝-14⅞ | 15⅝-15¾ | 15-15½ | 15⅛ | 15¼-16½ | — | — | — | — |
| One Year | 14¼-14⅛ | 14½-14⅝ | 14⅛-15 | 14½-14¾ | 14⅞ | 15-16¼ | — | — | — | — |
| Two years | — | — | 14⅛-14¼ | — | — | — | — | — | — | — |

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14½-14¾ per cent; four years 14 per cent; five years 14 per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15¾ per cent; four-month trade bills 15⅝ per cent.

Approximate selling rate for one-month Treasury bills 14⅛ per cent; two-months 14⅛ per cent; three-months 14⅛-14⅛ per cent. Approximate selling rate for one-month bank bills 16⅛ per cent; two-months 15⅞-15⅛ per cent; three-months 15⅜ per cent; one-month trade bills 16⅛ per cent; two-months 16⅛ per cent; and three-months 15⅜ per cent.

*Finance Houses Base Rates (published by the Finance Houses Association)* 16½ per cent from September 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 18 per cent. Treasury Bills: Average tender rates of discount 14.7524 per cent.

## CURRENCY RATES

| Sept. 5 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | 16 | 0.547064 | 0.588248 |
| U.S. $ | 10 | 1.32220 | 1.42074 |
| Canadian $ | 10.57 | 1.53566 | 1.85061 |
| Austria Sch. | 3¾ | 16.6399 | 17.9397 |
| Belgium F | 12 | 37.8992 | 40.6229 |
| Danish K | 15 | 7.26515 | 7.82826 |
| D'mark | 7½ | 2.34795 | 2.53204 |
| Guilder | 8 | 2.55383 | 2.75353 |
| French Fr. | 9½ | 5.45870 | 5.88763 |
| Lira | 15 | 1117.59 | 1203.72 |
| Yen | 8.25 | 286.553 | 310.006 |
| Norwgn. Kr. | 9 | (u) | 6.83729 |
| Spanish Pta. | 8 | 26.1239 | 105.671 |
| Swedish Kr. | 10 | 5.47854 | 5.90416 |
| Swiss Fr. | 3 | 2.15056 | 2.32361 |

# LOCAL AUTHORITY BOND TABLE

| Authority (telephone number in parentheses) | Annual gross interest | Interest payable | Minimum sum | Life of bond |
|---|---|---|---|---|
| | % | | £ | Year |
| Knowsley 051 548 6555 | 13¼ | ½-year | 1,000 | 4-5 |
| Redbridge 01 478 3020 | 13¼ | ½-year | 200 | 5-6 |

# BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 16 % | ■ Hambros Bank | 16 % |
| Allied Irish Bank | 16 % | ■ Hill Samuel | §16 % |
| American Express Bk. | 16 % | C. Hoare & Co. | †16 % |
| Amro Bank | 16 % | Hongkong & Shanghai | 16 % |
| Henry Ansbacher | 16 % | Industrial Bk. of Scot. | 16½% |
| A P Bank Ltd. | 16 % | Keyser Ullmann | 16 % |
| ■ Arbuthnot Latham | 16 % | Knowsley & Co. Ltd. | 18 % |
| Associates Cap. Corp. | 16 % | Langris Trust Ltd. | 16 % |
| Banco de Bilbao | 16 % | Lloyds Bank | 16 % |
| Bank of Credit & Cmce. | 16 % | Edward Manson & Co. | 17 % |
| Bank of Cyprus | 16 % | Midland Bank | 16 % |
| Bank of N.S.W. | 16 % | ■ Samuel Montagu | 16 % |
| Banque Belge Ltd. | 16 % | ■ Morgan Grenfell | 16 % |
| Banque du Rhone et de la Tamise S.A. | 16½% | National Westminster | 16 % |
| Barclays Bank | 16 % | Norwich General Trust | 16 % |
| Bremar Holdings Ltd. | 17 % | P. S. Refson & Co. | 16 % |
| Brit. Bank of Mid. East | 16 % | Rossminster | 16 % |
| ■ Brown Shipley | 16 % | Ryl. Bk. Canada (Ldn.) | 16 % |
| Canada Perm't Trust | 17 % | Schlesinger Limited | 16 % |
| Cayzer Ltd. | 16 % | E. S. Schwab | 16 % |
| Cedar Holdings | 16 % | Security Trust Co. Ltd. | 17 % |
| ■ Charterhouse Japhet | 16 % | Standard Chartered | 16 % |
| Choulartons | 16 % | Trade Dev. Bank | 16 % |
| C. E. Coates | 16 % | Trustee Savings Bank | 16 % |
| Consolidated Credits | 16 % | Twentieth Century Bk. | 16 % |
| Co-operative Bank | *16 % | United Bank of Kuwait | 16 % |
| Corinthian Secs. | 16 % | Whiteaway Laidlaw | 16½% |
| The Cyprus Popular Bk. | 16 % | Williams & Glyn's | 16 % |
| Duncan Lawrie | 16 % | Wintrust Secs. Ltd. | 16 % |
| Eagil Trust | 16 % | Yorkshire Bank | 16 % |
| E. T. Trust Limited | 16 % | | |
| First Nat. Fin. Corp. | 19 % | | |
| First Nat. Secs. Ltd. | 19 % | | |
| Robert Fraser | 16 % | | |
| Antony Gibbs | 16 % | | |
| Greyhound Guaranty | 16 % | | |
| Grindlays Bank | ‡16 % | | |
| ■ Guinness Mahon | 16 % | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 14%, 1-month deposits 14¼%.
† 7-day deposits on sums of £10,000 and under 14%, up to £25,000 14¼% and over £25,000 14½%.
‡ Call deposits over £1,000 14%.
§ Demand deposits 14½%.

# Public Works Loan Board rates

Effective from September 6

| Years | Quota loans repaid by EIP† | Quota loans repaid A‡ | Quota loans repaid at maturity§ | Non-quota loans A* repaid by EIP† | Non-quota loans A* repaid A‡ | Non-quota loans A* repaid at maturity§ |
|---|---|---|---|---|---|---|
| Up to 5 | 14 | 14 | 14 | 15 | 14½ | 14¼ |
| Over 5, up to 10 | 14½ | 14½ | 14½ | 14⅞ | 14⅞ | 14⅞ |
| Over 10, up to 15 | 14½ | 14½ | 14 | 14¾ | 14¾ | 14¼ |
| Over 15, up to 25 | 14 | 14 | 14 | 14¼ | 14¼ | 14¼ |
| Over 25 | 14 | 14 | 14 | 14¼ | 14¼ | 14¼ |

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

# RECENT ISSUES

## EQUITIES

| Issue Price p: | Amount Paid Up | Latest Renunc. Date | 1980 High | 1980 Low | Stock | Closing Price p: | + or — | Div. P. or Amount | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ¶§ | F.P. | — | 260 | 216 | Brint Invs. | 226 | — | — | — | — | — |
| ¶¶ | F.P. | — | 356 | 338 | BP Restricted Trans. | 356 | +2 | 17.8 | 4.7 | 7.0 | 3.3 |
| 150 | F.P. | — | 115 | 91 | ††BakerElectronics10p | 102 | — | b3.85 | 2.0 | 6.1 | 11.4 |
| 68 | F.P. | 6/9 | 90 | 72 | Charterh'se Petrol'm | 86 | +1 | b1.09 | 4.0 | 1.8 | 10.7 |
| 188½ | F.P. | — | 100 | 79 | Energy Capital (12½p) | 80 | — | — | — | — | — |
| 150 | F.P. | — | 153 | 138 | ††Marinex 10p | 140 | — | — | — | — | — |
| 151 | F.P. | — | 78 | 57 | ††Rolfe & Nolan 10p | 70 | +1 | t1.0 | 3.5 | 2.0 | 19.8 |
| 8c1 | F.P. | — | 70 | 66 | †Shackleton Petrol | 66 | +5 | — | — | — | — |
| 167 | F.P. | — | 85 | 73 | ††Utd. Electronic 20p | 79 | +4 | b1.57 | 3.2 | 3.8 | 22.9 |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid Up | Latest Renunc. Date | 1980 High | 1980 Low | Stock | Closing Price £ | + or — |
|---|---|---|---|---|---|---|---|
| ¶ | F.P. | 23/7 | 124 | 109½ | British Home Stores 9% Cnv. Ln. '92 | 116 | — |
| ¶¶ | F.P. | 10/10 | 108p | 107p | Foseco Minsep 8½% Cnv Red Cum2ndPrf | 108p | — |
| ¶¶ | F.P. | 10/10 | 104 | 102 | Do 10% Conv Uns Ln 1995 | 104 | — |
| ¶ | F.P. | 30/10 | 98 | 97 | Newcastle & Gateshead Water 8¼% RdP | 97½ | +½ |
| ** | F.P. | 28/11 | 109 | 100 | Outwich 10% Pref. | 101 | — |
| ¶ | F.P. | 6/8 | 105½ | 101½ | South Staff. Water 9¾% Rd. Pf. '85 | 101½xd | — |
| ¶ | F.P. | 29/8 | 104 | 100½ | Sunderl'd & S.ShieldsWtr 8¼% Rd.Prf.1985 | 100¼xd | — |
| ¶§ | F.P. | 22/10 | 106p | 97p | Tebbitt 7% Con. Cum. Red. Pref. | 99p | — |

## "RIGHTS" OFFERS

| Issue Price p: | Amount Paid up | Latest Renunc. Date ● | Latest Renunc. Date ■ | 1980 High | 1980 Low | Stock | Closing price p: | + or — |
|---|---|---|---|---|---|---|---|---|
| 300 | Nil | — | — | 68pm | 45pm | Blue Circle | 50pm | —2 |
| 92 | F.P. | 30/7 | 12/9 | 141 | 123 | Coalite | 140 | +1 |
| 16 | F.P. | 29/8 | 19/9 | 36 | 24½ | Derritron | 34½ | +1½ |
| 100 | F.P. | 15/8 | 12/9 | 465 | 127 | Ferranti | 466 | +18 |
| 80 | F.P. | 15/8 | 12/9 | 110½ | 89 | Lonrho | 27 | +1 |
| 120 | F.P. | 15/8 | 26/9 | 156 | 144 | McKay Secs. | 155 | — |
| 220 | F.P. | 5/9 | 14/11 | 300 | 286 | Mercantile House | 297pm | —5 |
| 14 | F.P. | 5/9 | 3/10 | 17½ | 16 | Moorgate Mercantile | 17 | — |
| 75 | F.P. | 20/8 | 10/9 | 127 | 95 | Polly Peck | 127 | +2 |
| 15 | Nil | — | — | 3pm | 2pm | Spencer Gears | 2pm | — |

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

# UNIT TRUST SERVICE

## OFFSHORE & OVERSEAS—contd.

Henderson Admin. (Guernsey) Ltd.

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331

| | | | | |
|---|---|---|---|---|
| O.C. America Fd.† | $US2.10 | 2.23 | — | 0.79 |
| OC Sm. Co.*** | 100.3 | 107.1xd | — | 3.60 |
| O.C. Commodity* | 99.0 | 105.3 | — | 4.95 |
| O.C. Dir. Comdty.† | $US47.82 | 50.87 | — | 1.70 |
| O.C. Hong Kg. Fd.† | HK$30.83 | 32.79 | — | — |
| O.C. Sterling Fd.** | £12.375 | | | |

[illegible]

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# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst. Mngrs. (a)**
72-80, Gatehouse Rd., Aylesbury 0296 5941

| | | | | |
|---|---|---|---|---|
| Abbey Amer. Gth. Tst. | 51.2 | 55.1 | -0.2 | 2.62 |
| Abbey Capital | 62.3 | 65.7 | +0.2 | 3.36 |
| Abbey General | 53.1 | 57.4 | +0.1 | 5.47 |
| Abbey Gilt & F.I. Tst. | 111.7 | 117.6 | +1.1 | 11.63 |
| Abbey Income | 34.7 | 37.5 | +0.2 | 9.26 |
| Abbey W'Wide Bd Tst. | 92.4 | 97.8 | -0.2 | 4.95 |
| Abbey Inv. Tst. Fnd. | 45.7 | 49.4 | +0.2 | 4.38 |
| Equitas Prog. Trust | 86.6 | 87.1 | +0.4 | 4.95 |

**Allen Harvey & Ross Unit Tst. Mngrs.**
45, Cornhill, London EC3V 3PB. 01-623 6314

| | | | | |
|---|---|---|---|---|
| AHR Gilt Trust | 89.8 | 94.5xd | ---- | 12.92 |

**Allied Hambro Ltd. (a) (g)**
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

| | | | | |
|---|---|---|---|---|
| **Balanced Funds** | | | | |
| Allied 1st | 84.7 | 90.6xd | +0.2 | 4.13 |
| Brit. Inds. Fund | 76.5 | 81.9 | +0.3 | 4.35 |
| Growth & Income | 47.4 | 50.7 | +0.2 | 4.68 |
| Elect. & Ind. Dev. | 42.8 | 45.8 | +0.1 | 3.35 |
| Allied Capital | 90.7 | 97.0 | +0.4 | 4.59 |
| Hambro Fund | 131.1 | 140.3 | +0.2 | 4.19 |
| Hambro Acc. Fund | 166.5 | 178.1 | +0.7 | 5.05 |
| **Income Funds** | | | | |
| High Yield Fd. | 64.5 | 69.0xd | +0.2 | 10.00 |
| High Income | 75.5 | 80.8xd | +0.1 | 7.86 |
| A. H. Eq. Inc. | 44.1 | 47.2xd | ---- | 7.69 |
| Govt. Secs. | 26.0 | 26.7 | +0.3 | 11.92 |
| **International Funds** | | | | |
| International | 31.5 | 33.7 | ---- | 3.20 |
| Pacific Fund | 53.2 | 56.9 | -0.1 | 2.16 |
| Secs. Of America | 63.9 | 68.4 | -0.2 | 2.63 |
| **Specialist Funds** | | | | |
| Smaller Co.'s Fd. | 51.4 | 55.0 | +0.1 | 4.64 |
| 2nd Smlr. Co's Fd. | 59.7 | 63.9xd | +0.2 | 4.69 |
| Recovery Sits. | 128.0 | 137.0 | ---- | 6.09 |
| Met. Min. & C'dty. | 67.4 | 72.1 | +0.2 | 4.09 |
| Overseas Earnings | 66.0 | 70.6 | +0.3 | 5.46 |
| **Exempt Funds** | | | | |
| Income Exempt | [illegible] | 90.0 | ---- | 8.50 |

**Confederation Funds Mgt. Ltd. (a)**
50, Chancery Lane, WC2A 1HE. 01-242 0282

| | | | | |
|---|---|---|---|---|
| Growth Fund | 66.1 | 69.5 | ---- | 3.95 |

For Cosmopolitan see Cambrian Fund Managers.

**Craigmount Unit Tst. Mgrs. Ltd.**
40 Bucklersbury, London EC4N 8BD. 01-248 4984

| | | | | |
|---|---|---|---|---|
| High Income | 36.5 | 39.9 | ---- | 11.33 |
| North American | 53.3 | 57.4 | +0.1 | 3.00 |
| Canadian Exempt* | 60.5 | 63.9 | ---- | 3.70 |
| Canadian Trust | 59.9 | 63.7 | ---- | 2.82 |
| Mid Mount High Inc.* | 47.8 | 50.6xd | ---- | 9.54 |
| Recovery | 56.4 | 60.6 | +0.4 | 7.16 |
| Gilt Trust | 43.7 | 45.7xd | +0.2 | 12.07 |

*Weekly dealing day Wednesday.

**Crescent Unit Tst. Mngrs. Ltd. (a)(g)**
4 Melville Cres., Edinburgh 3 031-226 4931

| | | | | |
|---|---|---|---|---|
| Cres. Amer. Fd. | 32.7 | 35.3 | ---- | 1.06 |
| Cres. Internat'l. | 65.8 | 71.0 | +0.2 | 2.46 |
| Cres. High. Dist. | 41.9 | 45.2 | +0.1 | 10.79 |
| Cres. Reserves | 49.5 | 53.4xd | -0.3 | 5.62 |
| Cres. Tokyo | 21.2 | 22.8xd | -0.2 | 1.00 |

**Darlington Unit Trust Mngt. Ltd.**
Bridge Chambers, Barnstaple, Devon 0271 76324

| | | | | |
|---|---|---|---|---|
| Total Perf. Unit Tst. | 24.2 | 25.6 | ---- | 12.70 |

**Discretionary Unit Fund Managers**
Bibio Hse, 36/38 New Broad St, EC2M 1NU. 01-638 4485

| | | | | |
|---|---|---|---|---|
| Disc. Inc. Aug. 29 | 223.7 | 238.5 | ---- | 5.50 |

**E. F. Winchester Fund Mngt. Ltd.**
44, Bloomsbury Square, WC1A 2RA 01-623 8893

| | | | | |
|---|---|---|---|---|
| Great Winchester | SF4.65 | 4.75 | -0.04 | 7.60 |
| Gt. Winchester O'seas | 25.8 | 26.4 | ---- | 4.22 |

**Emson & Dudley Tst. Mngmnt. Ltd.**
20b Albemarle St., W1. 01-493 3211

| | | | | |
|---|---|---|---|---|
| Emson Dudley Tst. | 82.1 | 88.3 | ---- | 6.00 |

**Equity & Law Un. Tr. M.♥ (a)(b)(c)**
Amersham Rd., High Wycombe. 0494 33377

| | | | | |
|---|---|---|---|---|
| Equity & Law | 85.7 | 90.2 | +0.3 | 4.84 |

**Fidelity International Management Ltd.**
62-63, Queen St., London, EC4R 1AD. 01-248 4891

| | | | | |
|---|---|---|---|---|
| American | 28.6 | 30.9 | -0.1 | 1.08 |
| Gilt + Fixed Int. | 25.5 | 26.9 | +0.2 | 12.23 |
| Growth + Income | 31.2 | 33.8 | ---- | 7.26 |
| Special Sits. | 33.8 | 36.4xd | +0.4 | 2.50 |

**James Finlay Unit Trust Mngt. Ltd.**
10-14, West Nile Street, Glasgow. 041-204 1321

| | | | | |
|---|---|---|---|---|
| J. Finlay Internat'l | 33.0 | 35.5 | ---- | 1.68 |
| Accum. Units | 40.6 | 43.6 | ---- | 1.68 |

## INSURANCE PROPERTY BONDS

**Provincial Life Assurance Co. Ltd.**
222 Bishopsgate, EC2. 01-247 6533

| | | | | |
|---|---|---|---|---|
| Prov. Managed Fd. | 148.8 | 156.7 | +0.9 | — |
| Prov. Cash Fd. | 124.9 | 131.5 | ---- | — |
| Gilt Fund | 133.4 | 140.5 | +1.1 | — |
| Property Fund | 129.8 | 136.7 | ---- | — |
| Equity Fund | 136.7 | 143.9 | +0.7 | — |
| Fxd. Int. Fund | 113.3 | 119.3 | +1.2 | — |

**Prudential Pensions Limited**
Holborn Bars, EC1N 2NH. 01-405 9222

| | | | | |
|---|---|---|---|---|
| Equity Fd. Aug. 20 | 34.46 | 35.53 | ---- | — |
| Fixed Int. Aug. 20 | 23.28 | 23.59 | ---- | — |
| Prop. Fd. Aug. 20 | 39.73 | 40.96 | ---- | — |

**Reliance Mutual**
Tunbridge Wells, Kent. 0892 22271

| | | | | |
|---|---|---|---|---|
| Rel. Prop. Bds. | 292.3 | — | ---- | — |

**Rothschild Asset Management**
St. Swithins Lane, London EC4. 01-626 4356

| | | | | |
|---|---|---|---|---|
| N.C. Prop. | 156.2 | 166.2 | ---- | — |

Next sub. period Sept. 30/Oct. 15

**Royal Insurance Group**
New Hall Place, Liverpool. 051-227 4422

| | | | | |
|---|---|---|---|---|
| Royal Shield Fd. | 189.0 | 199.9 | ---- | — |

**Save & Prosper Group♥**
4, Gt. St. Helen's, Lndn., EC3P 3EP. 01-554 8899

| | | | | |
|---|---|---|---|---|
| Bal. Inv. Fd. | 159.2 | 168.5 | +0.1 | — |
| Property Fd.* | 201.1 | 212.9 | ---- | — |
| Gilt Fd. | 141.0 | 149.5 | ---- | — |
| Deposit Fd.† | 147.0 | 155.6 | ---- | — |
| Comp. Pens. Fd.† | 279.6 | 295.9 | ---- | — |
| Equity Pens. Fd. | 270.3 | 286.1 | +1.3 | — |
| Prop. Pens. Fd.* | 347.6 | 367.9 | ---- | — |
| Gilt Pens. Fd. | 119.4 | 126.4 | +0.7 | — |
| Depos. Pens. Fd.† | 129.5 | 137.1 | ---- | — |

*Prices on August 27. †Weekly Dealings.

**Schroder Life Group♥**
Enterprise House, Portsmouth. 0705 27733

| | | | | |
|---|---|---|---|---|
| Equity | 292.5 | [illegible] | +1.6 | — |
| Fixed Int. | 161.7 | [illegible] | +1.9 | — |
| Managed | 169.0 | [illegible] | +1.0 | — |
| Money | 126.0 | [illegible] | +0.1 | — |
| Overseas | 90.1 | [illegible] | +0.5 | — |
| Property | 203.1 | [illegible] | ---- | — |
| CCM Vanguard | 111.6 | [illegible] | +0.4 | — |
| K & S Govt. Secs. | 139.2 | [illegible] | +1.7 | — |
| Income Distrib. | 100.1 | [illegible] | +0.5 | — |
| Income Accum. | 105.9 | [illegible] | +0.5 | — |
| B.S. Pen. Cap | 148.9 | [illegible] | ---- | — |

## OFFSHORE & OVERSEAS FUNDS

**Albany Fund Management Limited**
P.O. Box 73, St. Helier, Jersey. 0534 73933

| | | | | |
|---|---|---|---|---|
| Albany $ Fd. (CI) | US$159.06 | 161.01xd | +3.53 | 1.41 |

Next dealing Sept. 26.

**Alexander Fund**
37, rue Notre-Dame, Luxembourg.

| | | | | |
|---|---|---|---|---|
| Alexander Fund | US$12.84 | — | ---- | — |

Net asset value Sept. 2

**Allen Harvey & Ross Inv. Mgt. (C.I.)**
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

| | | | | |
|---|---|---|---|---|
| AHR Dollar Inc. Fd. | US$10.20 | 10.22 | ---- | 10.73 |
| AHR Gilt Edg. Fd. | £11.88 | 11.93xd | ---- | 13.21 |

**Alliance International Dollar Reserves**
c/o Bank of Bermuda, Hamilton, Bermuda.
Adv.: ACMI, 319 High Holborn WC1. 404 0577
Daily dealings: Sept. 4 0.000244 (9.3% p.a.).

**Arbuthnot Securities (C.I.) Limited**
P.O. Box 284, St. Helier, Jersey. 0534 76077

| | | | | |
|---|---|---|---|---|
| East & Intl. Tst. (CI) | 124.0 | 130.0 | ---- | 2.88 |

Dealing day Thurs.

| | | | | |
|---|---|---|---|---|
| Gov't Secs. Tst. (CI) | 82.6 | 86.9xd | +0.1 | 14.68 |

Daily Dealings.

| | | | | |
|---|---|---|---|---|
| Sterling Fd. | 114.9 | 115.1 | ---- | — |

Dealing on Wed.

**Bank of America International S.A.**
35 Boulevard Royal, Luxembourg G.D.

| | | | | |
|---|---|---|---|---|
| Wldinvest Income | US$108.68 | 109.24 | +1.21 | 9.15 |

Prices at Sept. 4. Next sub. day Sept. 10.

**Banque Bruxelles Lambert**
2, Rue De la Regence B 1000 Brussels

| | | | | |
|---|---|---|---|---|
| Renta Fund | US$58.92 | 60.73 | +0.37 | 8.94 |

**Barbican Managers (Jersey) Ltd.**
P.O. Box 63, St. Helier, Jersey 0534 74806

| | | | | |
|---|---|---|---|---|
| Barb. Int. Fund | 93.1 | 100.0 | ---- | 5.00 |

**Barclays Unicorn International**
1, Charing Cross, St. Helier, Jersey. 0534 73741

| | | | | |
|---|---|---|---|---|
| Overseas Income | 42.1 | 44.3xd | +1.0 | 14.00 |

Continued on previous page

# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

## INTERNATIONAL BANK

## CORPORATION LOANS

## COMMONWEALTH AND AFRICAN LOANS

| | | | | | | |
|---|---|---|---|---|---|---|
| 1A | 10 | Aust. 5½pc '81-82 | 87¾xd | 29.8 | 6.24 | 14.13 |
| 1J | 1D | Do. 6pc 1981-83 | 83½ | 30.4 | 7.32 | 12.97 |
| 1Ja | 1J | N.Z. 7¼pc 1988-92 | 65 | 2.6 | 11.37 | 13.44 |
| 15J | 15D | Do. 7½pc '83-86 | 80¼ | 9.4 | 9.54 | 12.83 |
| 1M | 1N | Sth. Africa 9½pc '79-81 | 96¼ | 27.3 | 10.21 | 16.20 |
| 1A | 10 | S. Rhod. 2½pc Non-Ass. | 99 | 3.66 | — | 29.38 |
| 15Ja | 15J | Do. 6pc '78-81 N.-As. | 145 | 12.65 | — | 27.87 |

## LOANS

Public Board and Ind.

Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS AND HIRE PURCHASE

Hire Purchase, etc.

## BEERS, WINES AND SPIRITS

## BUILDING INDUSTRY, TIMBER AND ROADS

## BUILDING INDUSTRY—Contd.

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS—Continued

## ENGINEERING MACHINE TOOLS

## FOOD, GROCERIES, ETC.

## FOOD, GROCERIES—Cont.

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)


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## MINES—Continued

### Australian

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Yld Gr's |
|---|---|---|---|---|---|---|---|
| | — | Acmex 50c | 22 | — | — | — | — |
| | — | ACM 20c | 22 | — | — | — | — |
| | — | Bond Corp. | 126 | — | hQ2.8c | 2.2 | 1.1 |
| Nov. | Apr. | Bougainville I Kina | 116 | 7.3 | ††Q26.2 | 1.0 | 11.5 |
| — | | CRA 50c | 306 | 974 | §Q15c | 2.1 | 2.6 |
| | — | Canada Northwest | 19 | — | — | — | — |
| | — | Carr Boyd 20c | 35 | — | — | — | — |
| | — | Central Pacific | £33 | — | — | — | — |
| | — | Cultus Pacific N.L. | 31 | — | — | — | — |
| | — | Eagle Corp. 10c | 40 | — | — | — | — |
| | — | Endeavour 20c | 28 | — | — | — | — |

Tins

Copper

Miscellaneous

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ✱ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ✦ Merger bid or reorganisation in progress.
- ✦ Not comparable.
- ✦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- 0 No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | | IRISH | | |
|---|---|---|---|---|---|
| Albany Inv. 20p | 34 | +1 | Conv. 9% '80/82 | £93⅞ | ...... |
| Bertam | 15 | ...... | Nat. 9¾% 84/89 | £82 | +½ |
| Bdg'wtr. Est. 50p | 445 | ...... | Fin. 13% 97/02 | £91 | +¼ |
| Craig & Rose £1 | £11 | ...... | Alliance Gas | 55 | ...... |
| Fife Forge | 35 | ...... | Arnott | 290 | ...... |
| Finlay Pkg. 5p | 19 | ...... | Carroll (P.J.) | 68 | ...... |
| Graig Ship. £1 | £12 | ...... | Clondalkin | 121 | ...... |
| Higsons Brew | 75 | ...... | Concrete Prods. | 83xd | ...... |
| Holt (Jos) 25p | 258 | ...... | Helton (Hldgs.) | 29 | ...... |
| I.O.M. Stm. £1 | 152 | ...... | Ins. Corp. | 275 | ...... |
| Pearce (C. H.) | 465 | ...... | Irish Ropes | 43 | ...... |
| Peel Mills | 45 | ...... | Jacob | 31 | ...... |
| Sheff. Refrshmt | 102 | ...... | T.M.G. | 78 | ...... |
| Sindall (Wm.) | 140 | ...... | Unidare | 77 | +1 |

## OPTIONS

### 3-month Call Rates

| Industrials | | | | | |
|---|---|---|---|---|---|
| A. Brew | 7 | I.C.I. | 27 | Utd. Drapery | 6½ |
| BOC Intl. | 6 | "Imps" | 6½ | Vickers | 12 |
| B.S.R. | 4½ | I.C.L. | 14 | Woolworths | 5½ |
| Babcock | 0 | Inveresk | 4 | | |
| Barclays Bank | 34 | Ladbroke | 15 | **Property** | |
| Beecham | 10 | Legal & Gen. | 15 | Brit. Land | 7 |
| Blue Circle | 25 | Lex Service | 0 | Cap. Counties | 9 |
| Boots | 16 | Lloyds Bank | 24 | Land Secs. | 24 |
| Bowaters | 15 | "Lofs" | 3½ | MEPC | 17 |
| B.A.T. | 20 | London Brick | 6 | Peachey | 15 |
| Brown (J.) | 6 | Lucas Inds. | 17 | Samuel Props. | 12 |
| Burton 'A' | 10 | "Mams" | 14 | Town & City | 2 |
| Cadburys | 5½ | Mrks. & Spncr | 8 | | |
| Courtaulds | 8 | Midland Bank | 26 | **Oils** | |
| Debenhams | 8 | N.E.I. | 5 | Brit. Petroleum | 32 |
| Distillers | 17 | Nat. West. Bank | 27 | Burmah Oil | 20 |
| Dunlop | 7½ | P & O Dfd. | 10 | Charterhall | 10 |
| Eagle Star | 15 | Plessey | 14 | KCA | 11 |
| F.N.F.C. | 2¼ | Racal Elect. | 22 | Premier | 13 |
| Gen. Accident | 21 | R.H.M. | 4½ | Shell | 35 |
| Gen. Electric | 30 | Rank Org. | 15 | Tricentrol | 40 |
| Glaxo | 18 | Reed Intnl. | 16 | Ultramar | 35 |
| Grand Met. | 12 | Sears | 5 | | |
| G.U.S. 'A' | 34 | Tesco | 6 | **Mines** | |
| Guardian | 25 | Thorn | 23 | Charter Cons. | 14 |
| G.K.N. | 20 | Trust Houses | 12 | Cons. Gold | 40 |
| Hawker Sidd | 15 | Tube Invest. | 23 | Lonrho | 8 |
| House of Fraser | 15 | Unilever | 40 | Rio T. Zinc | 35 |
| | | U.D.T. | 5½ | | |

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FINANCIAL TIMES
Monday September 8 1980



# West faces $10trillion shift from oil

By Ray Dafter in Munich

THE WESTERN WORLD will have to spend about $10 trillion (million million) on new energy equipment in the next 20 years, leaders of the world's fuel and power industries will be told in Munich this week.

The capital investment will be needed to restructure energy supplies to shift the emphasis away from oil and toward coal, nuclear energy and natural gas.

The estimate was prepared by the Dresdner Bank of West Germany, and is in one of 164 papers to be presented to the 11th World Energy Conference, to be opened today by Chancellor Helmut Schmidt and Dr. Franz Josef Strauss, Premier of Bavaria.

## Coal riches

Delegates are expected to emphasise the fact that the world is still placing an undue, and potentially dangerous reliance on crude oil for its energy.

Last year oil accounted for almost 45 per cent of total energy consumption, though new figures to be presented to the conference show that proven oil reserves represent less than energy consumption, though 3.8 per cent of known energy raw material.

On the other hand, hard coal reserves account for about 60 per cent of total proven energy materials.

Based on present-day consumption, known global coal deposits will last for more than 200 years, whereas on the same basis oil would run out in about 30 years.

The amount of uranium available, when used in the present generation of nuclear reactors, would provide energy roughly equivalent to the amount of proven oil reserves.

Recognising this position, executives of the Dresdner Bank will report that future energy assessment will be characterised by particularly capital intensive projects, and by development of such processes as coal liquefaction and gasification.

Of the $9,660bn expected to be invested by non-Communist countries by the year 2000 (in constant 1979 dollars) about half could go towards nuclear power and development of electricity grids.

More than a quarter, about $2,800bn, could be spent by the oil industry as it ventures into more remote and hostile areas and employs increasingly sophisticated techniques to recover a higher proportion of available reserves.

The coal industry, now firmly convinced that it is about to make a comeback, is expected to invest about $805bn in the next two decades. Much of this money will go toward development of international coal trading, which could grow at the rate of 6 per cent a year.

## Funding concern

The Dresdner Bank report will show that, depending on the respective energy source, between 35 and 80 per cent of the required energy investment funds should be generated internally.

This would leave roughly half the $10 trillion to be raised externally. Dresdner executives believe that the capital markets can furnish the necessary funds.

But concern is expressed in a number of papers about ability of developing countries to fund their required energy development.

It is generally concluded that crude oil and its derivatives are the most effective energy carriers for those countries striving to raise living standards. As a result the present "excess depletion" of oil resources is seen to be placing a particularly heavy burden on energy-poor developing countries.

# Government backs moves to keep Japan cars curb

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

REPRESENTATIVES of the motor industry have the full support of the Government in their attempts this week to persuade the Japanese to continue voluntary restraint of shipments of vehicles to Britain.

This became clear at the weekend when Mr. John Nott, the Trade Secretary, travelled from his Cornish constituency for last-minute talks with members of the industry team before they flew from Heathrow.

This was a "gesture to show the Government is behind the team and that it fully supports the industry's efforts in Japan," according to a Department of Trade spokeswoman.

Mr. Nott's intention was also "to get himself fully briefed and to boost the team's morale."

Two-day meetings begin in Tokyo tomorrow between the Society of Motor Manufacturers and Traders and the Japanese Automobile Manufacturers' Association as part of the regular round of discussions about motor trade between the two countries.

Since 1975 the Japanese have voluntarily restricted shipments of cars and trucks to Britain. The UK team will say that the restraint should continue to give the British industry more time to restructure.

Apart from the support of the Government, the SMMT is armed with depressing statistics about the state of the industry, statistics released earlier than usual this month, obviously to give the team extra ammunition.

The Department of Industry reported last Friday that car production in August reached the lowest level for 10 years, and possibly since 1957, while commercial vehicle output was also near its historic low point.

Then on Saturday the SMMT produced the August sales figures, which showed BL's market share of new car registrations down to 15.29 per cent, only marginally better than the worst-ever of 15.1 per cent in January, while Japanese penetration for August reached 19.7 per cent, against 13.8 per cent for the same month last year.

At the last meeting between the SMMT and the Japanese in Mexico in January, there was a hint from some Japanese that they were becoming disillusioned with the results of their restraint. The benefit was felt by European manufacturers, and not BL, they suggested.

But the indications are that the Japanese will accept the British argument and agree to continue what they call "prudent" marketing in the UK in 1981.

There are already signs that the Japanese are working hard to bring down their new cars sales to below 11 per cent of the market by the New Year. This is the level they seem to believe it would not be "prudent" to exceed.

The UK team will seek reassurances from the Japanese about their undertaking not to ship lorries of over 3.5 tons in built-up form to Britain.

This agreement seems to have been breached, because a new company has said it intends to sell about 500 trucks originally made by Hino, Japan's biggest heavy truck producer, in Britain in the next 12 months.

These are being assembled in Ireland from kits sent from Japan. The Department of Trade has become so concerned about the project that it has started unofficial inquiries in Ireland and Japan as well as Britain.

The SMMT delegation will be headed by Sir Bernard Scott, its president. Other members include Mr. George Turnbull, chairman of Talbot UK; Mr. Pratt Thomson, chairman of BL International; Mr. Tom Fraser, director of the SMMT; and Mr. Hugh Cowney, its economic adviser.

# Liberals to debate centre party

BY RICHARD EVANS, LOBBY EDITOR

MR. DAVID STEEL, Liberal leader, will seek at his party's Assembly at Blackpool this week to maintain total freedom of action in the event of a new centre party being formed next year.

Although the increasingly uncertain prospects for a new party will depend largely on the outcome of the Labour Party's Blackpool conference in three weeks' time, the subject could dominate the Liberal Assembly.

The problem for the Liberals is that on their own they cannot precipitate the break-up of two-party dominance. What Mr. Steel is anxious to ensure is that every chance should be given for a breakaway Labour group to emerge in the hope of eventual gain for the centre in general and the Liberals in particular.

Some Liberals have remained anxious about the party being swallowed up in any realignment, and they will make an attempt during the week to distance Liberals from the policies of Labour's Social Democrats.

One of the two key debates during the week—the other is defence—will be on the party's philosophy and values when the aim will be to set out the party's position clearly and distinctively.

● Mr. Callaghan's decision on whether he is likely to lead the Labour Party into the next election will not be known until the new session of Parliament early in November. He will then have to decide whether to stand for re-election as party leader or to retire.

Mr. Anthony Wedgwood Benn, leading Left-wing member of Labour's National Executive, confirmed yesterday that in the event of a leadership election in the autumn he would stand.

# Investment in Tories queried

BY RICHARD EVANS, LOBBY EDITOR

DONATIONS FROM leading British companies to the Conservative Party and its allies soared by more than 60 per cent last year in a determined effort to see Mrs. Thatcher elected, according to Labour Party research published today.

But in view of the present economic situation and the difficulties faced by many of the donors, the report wonders how many industrialists may be regretting their investment.

Donations direct to the Conservative Party in 1979-80 more than doubled to £1.9m, while the total given to the Tories and allied political organisations increased by more than 60 per cent to £2.75m. It came from 470 companies compared with 358 during the previous year.

"The obvious reason for the massive rise was, of course, the general election which clearly inspired a larger number of companies than before to dig deep into the company resources in order to do their bit for the cause," states the report, an annual exercise mounted by the Labour Party.

Among the top contributors to the Tory Party were GEC, Consolidated Gold and the Rank Organisation (£50,000 each); Trafalgar House (£40,000); British and Commonwealth Shipping (£39,000).

Among the companies the survey suggests might be regretting their generosity are Fodens (£1,000 donation), now in the hands of the Receiver, Bowater Corporation (£10,000) which has closed a major paper mill on Merseyside, and Cadbury Schweppes (£15,000), Lucas Industries (£20,000) and Guest, Keen and Nettlefold (£25,250), all of whom have made workers redundant.

# Fund managers' code planned

BY CHRISTINE MOIR

WORK is to start this month on drafting a code of practice regulating the personal share dealings of institutional fund managers. A special subcommittee of the Council for the Securities Industry will hold its first meeting on September 19.

The committee will study a discussion paper outlining the range of internal regulatory procedures in force at the leading insurance companies, pension funds, unit and investment trusts and fund management sections of banks and stockbrokers.

Some 40 institutions are believed to have replied to the CSI's request early this summer for details of their "in house" schemes. Only two or three have claimed not to have a rule book covering dealings by investment managers and those have admitted to relying on unspoken pressure.

Te preliminary investigations suggest most institutions are aware of the possibilities for scandal if fund managers' own purchases and sales of securities are not supervised. However, the CSI is still thought to want a general City Code against which companies and firms could compare their own rules.

In this sense the CSI's proposed code is being seen more as a statement of intent supplementing the specific in-house rules of each institution and offering guidance or preferred practice in particularly difficult areas.

It will cover such matters as the timing of disclosure of dealings and whether the supervision of dealing should extend to all forms of securities dealt in by individuals in a position of trust.

# Kaiser to spend $20m on Fontana

By Ian Hargreaves in New York

KAISER STEEL is to spend $20m (£8.29m) on modernising its Fontana integrated steelworks. There is also to be a management shake-up.

The company is the largest steel maker on the U.S. west coast, and the ninth largest in the country.

Low productivity, high wages and fierce competition from Japan have created apparently insoluble difficulties in recent years for the Fontana works.

But the Board of the company, whose steel mills have lost money for the last four years, decided after a six-hour meeting in San Francisco that it would cost too much in pension and severance payments to liquidate the ailing company.

The Board also decided that it would sell, for $217m, its last significant non-steel asset—a 25 per cent stake in Vancouver-based Kaiser Resources, which British Columbia Resources last week offered to buy for C$ 55 per share.

This sale will be the last of a long line in the past year as Kaiser Steel has sold its ships, property, Australian mines and Canadian coal for over $450m.

The proceeds have been used to offset steel losses of over $150m since 1976 and it had been widely assumed that Kaiser had left itself with little option but to sell its steel plant and liquidate the company.

But when the company's consultants added up the numbers, they found that the cost of a shutdown would be so great that shareholders would not retrieve the current market price of their shares through a sellout.

So Kaiser is left with the task of turning round its steel business, which may not be as difficult as it seemed a year ago.

Since then two important things have happened. First, the United Steelworkers of America has accepted that financially weak companies can be exempted from the terms of a national pay contract.

Second, the political context in which the U.S. steel industry operates has been transformed, with much of President Carter's industrial revitalisation programme aimed at creating an easier fiscal and regulatory climate for steel.

The White House has also grudgingly accepted that steel needs stronger protection from imports and is negotiating with U.S. Steel, the industry's largest company, about what form these protections should take.

The solution seems likely to be a tougher trigger price system to replace the mechanism withdrawn by the President in February. That would raise the price of foreign steel and improve margins for the domestic industry.

These negotiations are proceeding against an October deadline, when the Commerce Department is due to rule on a dumping case brought by U.S. Steel against seven European countries.

Mr. Edgar Kaiser, 38, chairman of Kaiser Steel, will remain in that post but his number two Mr. Dale Pilz, has resigned as president.

# Weather

UK TODAY

SHOWERS and sunny intervals.

London, S.E. England, E. Anglia

Cloudy, a little rain at first, soon becoming brighter, showers developing. Max. 20C (68F).

C.S. England, E., W. Midlands, Channel Islands, N.W. Scotland

Scattered showers, sunny intervals. Max. 20C (68F).

S.W., E., N.W., C.N., N.E. England, S., N. Wales, Lake District, Isle of Man, Borders, S.W., N.E. Scotland, Central Highlands, Orkney, Shetland, Ulster

Showers, longer periods of rain, sunny intervals. Max. 19C (66F).

Outlook: Mostly dry at first, rain spreading Northwards.

WORLDWIDE

| | | Y'day midday °C | °F | | | Y'day midday °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 24 | 75 | Lisbon | S | 25 | 77 |
| Algiers | S | 28 | 82 | Locarno | F | 23 | 73 |
| Amsdm. | S | 21 | 40 | London | S | 21 | 70 |
| Athens | S | 28 | 82 | Luxmbg. | S | 20 | 68 |
| Bahrain | S | 36 | 97 | Madrid | S | 31 | 88 |
| Barclna. | S | 19 | 66 | Majorca | F | 26 | 79 |
| Beirut | S | 29 | 84 | Malaga | F | 27 | 81 |
| Belfast | F | 16 | 61 | Malta | F | 27 | 81 |
| Belgrd. | S | 24 | 75 | M'chstr. | F | 18 | 64 |
| Berlin | C | 19 | 66 | Melbne. | S | 19 | 66 |
| Biarritz | S | 24 | 75 | Milan | S | 25 | 77 |
| Bmghm. | F | 20 | 68 | Mntreal. | S | 13 | 55 |
| Blackpl. | F | 18 | 64 | Moscow | C | 18 | 64 |
| Bordx. | S | 27 | 81 | Munich | S | 18 | 64 |
| Boulgn. | S | 20 | 68 | Nairobi | S | 27 | 81 |
| Bristol | S | 21 | 70 | Naples | F | 27 | 81 |
| Brussels | S | 22 | 72 | Nwcstl. | F | 18 | 64 |
| Budpst. | S | 22 | 72 | N. York | S | 21 | 70 |
| Cairo | S | 30 | 86 | Nice | S | 24 | 75 |
| Cardiff | S | 20 | 68 | Oporto | S | 19 | 66 |
| Cas'b'ca | F | 26 | 79 | Oslo | F | 20 | 68 |
| Cape T. | S | 20 | 68 | Paris | S | 23 | 73 |
| Cologne | S | 21 | 70 | Perth | C | 19 | 66 |
| Cpnhgn. | S | 18 | 66 | Prague | S | 18 | 66 |
| Corfu | S | 27 | 81 | Reykjvk. | F | 10 | 50 |
| Dublin | C | 16 | 61 | Rhodes | F | 27 | 81 |
| Dbrvnk. | S | 25 | 77 | Riyadh | S | 33 | 91 |
| Ednbgh. | C | 17 | 63 | Rome | S | 27 | 81 |
| Faro | S | 26 | 79 | Salzbrg. | S | 21 | 70 |
| Florence | S | 27 | 81 | Stckhm. | F | 17 | 63 |
| Frankft. | S | 21 | 70 | Strasbg. | S | 22 | 72 |
| Funchal | S | 26 | 79 | Sydney | S | 26 | 79 |
| Geneva | S | 19 | 66 | Tangier | S | 30 | 86 |
| Gibrltr. | S | 27 | 81 | Tehran | S | 36 | 97 |
| Glasgow | C | 15 | 59 | Tel Aviv | S | 28 | 82 |
| G'nsey | S | 18 | 64 | Tenerife | R | 18 | 64 |
| Helsinki | C | 15 | 59 | Tokyo | F | 32 | 90 |
| H. Kong | F | 31 | 88 | Tunis | F | 28 | 82 |
| Innsbrk. | S | 20 | 68 | Valencia | F | 28 | 82 |
| Invrnss. | F | 18 | 64 | Venice | S | 23 | 73 |
| Istanbul | S | 25 | 77 | Vienna | F | 20 | 68 |
| Jersey | S | 21 | 70 | Warsaw | C | 15 | 59 |
| Jo'burg | S | 19 | 66 | Zurich | S | 17 | 63 |
| L. Plms. | S | 26 | 79 | | | | |

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

# Measuring capital in the dark

As the Bank of England moves towards a more formalised system of bank supervision it is coming up against some important deficiencies in the financial statements of British banks. Maybe last week's paper on the measurement of bank capital is something of a damp squib compared with the true dynamite contained in the liquidity rules which are still very much at the discussion stage. The new guidelines on capital are not going to cause embarrassment for any major British bank (though they could keep a few small ones on their toes).

But the Bank of England has been forced to come to at least tentative conclusions about the two most contentious accounting areas, those concerning the treatment of general bad debt reserves and deferred taxation; it has had to accept that its cherished gearing ratio has failed because of non-disclosure privileges enjoyed by banks, and it has made the surprising confession that it has no information on the assets held overseas by branches and subsidiaries of British banks (though an "appropriate statistical framework" will now be developed over the next year or two).

In its paper the Bank sets out two bases for the assessment of the adequacy of a bank's capital. The second method, a sophisticated risk measurement system, was always designed for confidential use by the Bank itself. But the first basis was intended "to ensure that the capital position for an institution is regarded as acceptable by its depositors and other creditors." The Bank points out that this measure of capital adequacy should be constructed of elements as far as possible available to the public.

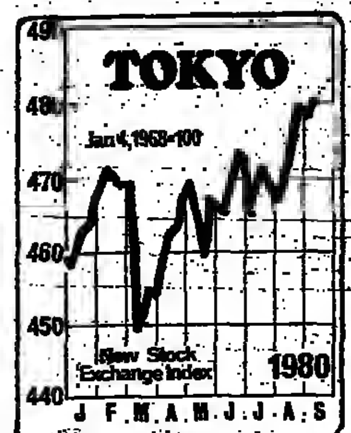
The measure chosen for this purpose is the gearing ratio, in which the bank's free capital resources are expressed as a proportion of deposits and other non-capital liabilities. Yet the Bank of England's definition of capital resources includes inner reserves, which are not known by the public, and general bad debt provisions, which are not usually published (though the clearing banks have dropped this veil).

There the Bank of England leaves the matter. The result is that creditors and depositors will be no wiser than they are now—unless all British banks are encouraged to give up their accounting and disclosure privileges. Opinion within the Bank of England points towards the Department of Trade and the Accounting Standards Committee as those with responsibility for such matters. But the Department of Trade regards itself as having transferred all responsibility for banks to the Treasury, following the enactment of the 1979 Banking Act.

At any rate, there is wide diversity in many of the accounting practices of the big clearing banks, let alone the whole of the industry. With bad debts the clearers go on providing substantial general provisions in addition to their specific provisions, and all the evidence is that they never have to draw on these. In reality the general provisions are reserves, and movements there in amount to a form of profit smoothing. With appropriate apologies to the clearers the Bank of England says as much in last week's capital adequacy paper; in all cases the clearers' general provisions will be treated as part of capital.

In the area of deferred tax accounting practice varies from Lloyds Bank, which recognises no future liability in its accounts, to the other Big Three, each of which sets aside differing proportions of potential future liabilities. And these are all closely similar banks, for which virtually all the deferred tax arises from UK leasing activities.

The Bank of England politely expresses the hope that a more consistent treatment of deferred tax will develop, and less politely gives a warning that it may decide to write down a bank's capital where it considers that the bank has been insufficiently prudent in providing for future tax payments.




## Japan

Friday's economic package in Japan was a signal that the Government now believes it has broken the back of inflation and can afford to turn its attention to moderating the present downturn by means of demand management. The two most important elements of the eight-part package are the step-up of public sector projects and the loosening of the "window guidance" in the level of banks' lending. After falling back in April-September, public works contracts will be raised 30 per cent above the level of a year earlier in October-December. Meanwhile, the window guidance will allow banks to increase lending to industry by 5 per cent—for the first time since early 1978.

The stock market reacted by pushing up the Tokyo New Stock Exchange Index 1.43 to an all-time high of 480.78, with large gains in public works related sectors such as construction and cement. Despite reaching a new peak, however, this year the market has performed relatively dully, and is less than 5 per cent above the level at the beginning of January.

Consumer price inflation in Japan is now about 8 per cent on an annual basis, having peaked in double figures in the second quarter. Manufacturers are managing to absorb a rather higher level of cost rises and Government pressure on them to continue doing so looks like being successful. Meanwhile, there is a strong hint that the discount rate will be cut in the not too distant future—possibly next month. Bearing in mind the recent strength of the yen, which has appreciated from Y264 against the U.S. dollar in April to Y218 on Friday on the back of a strong export performance and foreign buying of equities for this growth prospects, such a cut is unlikely to weaken the currency.

In the last couple of months about a fifth of all equity purchases have been made by foreigners, compared with 3 or 4 per cent in the previous few months. Buying from the Middle East has been particularly prominent. This trend looks like continuing, with diversification of international portfolios gaining pace. At the same time the Japanese investment trusts, which have been heavy net sellers of equities, became net buyers in the last fortnight. With controls on deposit rates being lifted, the comparative attraction of fixed rate investments is disappearing, which should enhance the trusts' interests in equities. An economic upturn is widely predicted for the middle of next year, so it is not surprising that investors are increasingly optimistic about the development of a modest bull market.



# Economic censure grows

Continued from Page 1

difficult to forecast, all in the cause of the untested and highly dubious theories of monetarism."

Brokers James Capel say that with monetary growth excessively high and public sector borrowing likely to overshoot its target by £2bn to £3bn it is difficult to avoid the impression that economic policy is out of control.

Similarly, brokers Phillips and Drew argue in a circular this morning that the Government's monetarist strategy has run into severe, perhaps even insuperable, difficulties.

The possibility that the monetary target will be re-based to accommodate the recent big jump in the money supply calls into question whether the stringent medium-term financial targets will be achieved.

Criticisms of the strategy as a whole will make no difference to economic policy in the short-term even though they may reinforce the doubts of sceptical Tory ministers and backbenchers.

Ironically, some of the doubts may help the Government in the immediate future to win acceptance for lower interest rates and for a revised monetary target over the coming 12 months. The City financial markets are giving the Government the benefit of the doubt in the sense that they believe that interest rates will fall.

The significant point is that these criticisms have come from the City, normally regarded as sympathetic to the Government. To some extent these criticisms represent a more vocal statement by people who anyway had long-term doubts about whether the Government's strategy would work.

But, in addition, "monetarist" brokers have also criticised the Government for failures in the operation of its policy while not seeking any relaxation of the basic strategy.

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# Striking Poles

At the weekend academics representing research institutes in Warsaw met to set up an independent Union of Scientific Workers. There is a move among journalists and publishers to do the same.

Earlier last week workers at the Ursus tractor plant outside Warsaw and a few other factories in the area set up an independent trade union.

Voices are being raised inside the Party for democratisation of decision-making. At a meeting of the Party organisation in the Polish Writers' Union on Friday, Mr. Stefan Bratkowski called for an end to the "semi-military system in the Party, which may have been useful when it was fighting for power but now has turned into simple feudalism."

# Prince to launch 'ideas' award

PRINCE CHARLES is to launch an annual award aimed at encouraging people with original ideas for industry. The Prince of Wales Award for Industrial Innovation and Production is being promoted by the BBC television programme Tomorrow's World.

In a recorded interview the Prince will say: "In this country we seem to be particularly good at ideas and in thinking about innovative ideas and inventions and so on, but bad at really producing the idea.

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